FINANCIAL TIMES

World Business Newspaper http://www.FT.com

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India Election raises hopes for return to stability Page 11

Financing infrastructure Public/private partnerships catch on in Europe Page 3

Making science fun How to keep researchers in the laboratory Page 22

Italian banks The old guard fights back Page 20

WORLD NEWS

Cash victory for victims of East German injustice

The German government announced measures to compensate more victims of injustice in the former East Germany in a move that could add about DM300m (€153m) a year to state spending. The measures increase the number of people eligible and some payments. Europe, Page 3

IMF stands by ECB
The European Central Bank, under fire for issuing mixed signals on interest rate policy and the euro's appropriate exchange rate, received support from the International Monetary Fund. Europe, Page 3

World Bank seeks capital
World Bank president James Wolfensohn told finance and development ministers in Washington that they might have to provide more capital for the development institution. International, Page 5

EU set for US beef ban
The European Union is set to ban hormone-treated beef imports from the US. The move gives Washington until June 15 to take steps to ensure beef certified as coming from animals not reared on growth hormones is genuinely hormone-free. World Trade, Page 4

Arafat delays decision
Palestinian Authority president Yassir Arafat said he had decided not to declare an independent state until after Israel's general election on May 17. International, Page 5

US sanctions climbdown
The US announced it is to modify its use of economic sanctions to allow for commercial export of food and medicine. World Trade, Page 4

Warning over East Timor
The governor and military commander of East Timor have warned the promised plebiscite to determine independence or autonomy from Indonesia could spark civil war. Asia-Pacific, Page 6

Building collapse kills two
Two people died and 120 were feared trapped in a collapsed building in Lagos, Nigeria, after crowds seeking shelter from a downpour ran into the block, state radio reported.

ANC majority fear
South Africa would become "another Zimbabwe" after the June 2 general election if the ruling African National Congress won more than two thirds of the vote, an opposition leader warned. International, Page 5

Gephardt backs China
Congressman Richard Gephardt, House minority leader and a pivotal player on trade policy, said it was in US interests for China to join the World Trade Organisation. World Trade, Page 4

Mexico in IMF talks
Mexican officials met the International Monetary Fund managing director Michel Camdessus in Washington to discuss a new financing package but have all but discarded a recently introduced anti-contagion credit line. Latin America, Page 4

BUSINESS NEWS

EU takes tough stance on Coke's Cadbury acquisition

Coca-Cola was warned by the European Union's competition commissioner that it faced potentially heavy fines unless it submitted its planned acquisition of Cadbury-Schweppes' non-US soft drinks business for EU approval. Companies and markets, Page 13; Lex, Page 12

Luxottica of Italy, the world's largest eyewear manufacturer and optical retailer, has acquired the Ray-Ban sunglasses brand for $640m. Companies and markets, Page 13

McKesson HBO shares slumped after the recently merged US healthcare group was forced to cut its previously stated earnings figures for 1998. Companies and markets, Page 13; Aetna shares rally, Page 16; World stock markets, Page 36

Marks & Spencer, British retailer, announced plans to close all 38 M&S stores in Canada with the loss of 900 jobs after sustaining losses in 24 of its 25 years in North America. American companies, Page 16

Wal-Mart, the world's largest retailer with annual sales of $138bn, put paid to speculation that it planned to go to the UK in the near future, saying it would not be in shareholders' interests. American companies, Page 16; Observer, Page 11

Cameron McKenna, one of the top 10 UK law firms, is to link up with five continental European firms to create one of the biggest European legal services groups. UK news, Page 8; Global brief, Page 10

Japan's government came under increasing pressure from within the ruling Liberal Democratic party for a supplementary budget to prevent a further economic slowdown. Page 12

Sony, Japanese electronics group, fell into a loss in the three months to March 31 and warned of deteriorating results. Asia-Pacific companies, Page 14

Laura Ashley, UK retailer of frocks and furnishings, is selling its US business for $1 in a deal with bankers to stave off insolvency. Companies and markets, Page 13

Saurer, of Switzerland, the world's biggest textile machinery company, is forecasting a sharp fall in profits for a second year, but says its order book is starting to recover. European companies, Page 15

First Leisure looked vulnerable to a break-up bid after talks with Cannons Group to merge the companies' health and fitness businesses broke down. UK companies, Page 21

Enron, US energy company, is to withdraw from talks with Vietnam over oil exploration off its southern coast. Asia-Pacific news, Page 6

Euro Markets
News, analysis and statistics on the euro currency zone, covering foreign exchange, bond and equity markets. Page 25

DRASKOVIC'S DEPARTURE DEALS MAJOR SETBACK TO DIPLOMATIC EFFORTS TO END KOSOVO WAR

Yugoslav deputy PM sacked from government

Vuk Draskovic: said to have expressed views "in contradiction with the position of the federal government" Picture: AP

By Guy Dinmore in Rome, John Thornhill in Moscow and Alexander Nicoll in Brussels

Vuk Draskovic, the moderate and outspoken deputy prime minister of Yugoslavia, was sacked from the government yesterday – dealing what appeared to be a major blow to diplomatic efforts to end the Kosovo war.

Earlier this week Mr Draskovic raised expectations among the western powers that Belgrade was seeking a way out of the crisis when he proposed that a UN-led peacekeeping force, including Nato representatives, be allowed into the province.

Yesterday Tanjug, the state news agency, said Mr Draskovic was sacked for expressing views "in contradiction with the position of the federal government".

Analysts in Belgrade said the sacking of Mr Draskovic showed he had failed to win sufficient support within the regime for his compromise position – one backed by Russia – and that hardliners were still firmly in control. But in Brussels, Nato said Mr Draskovic's dismissal was evidence that cracks were appearing in the Serbian leadership. Jamie Shea, Nato spokesman, added that as well as Mr Draskovic's remarks, "green shoots" of democracy had begun to emerge in Serbia – including a demonstration by thousands of people led by a mayor belonging to an opposition party.

Russian-led efforts to secure a political solution after five weeks of air attacks are due to continue today. Victor Chernomyrdin, Russia's special envoy is to meet Kofi Annan, UN Secretary General, in Moscow and then travel to Bonn, Rome and Belgrade.

Mr Chernomyrdin made little headway on his first visit to Belgrade last week when Slobodan Milosevic, the Yugoslav president, agreed only to a UN-led civilian force for Kosovo excluding any representation from Nato countries.

A Russian diplomat in Belgrade said he believed that Mr Milosevic could still be persuaded to accept a UN-led military force that did not include Nato member states taking part in the air campaign. Moscow's position as the leading supplier of oil and gas to Yugoslavia gives it some leverage but, the diplomat said, the final outcome would probably rest on Mr Annan's ability to find a formula acceptable to both Belgrade and Nato.

The removal of Mr Draskovic sent shudders through members of Serbia's pro-western but fragmented opposition, who were encouraged this week to raise their voices again following the former deputy premier's hard-hitting attack on the government's propaganda machine. Mr Draskovic, a former opposition leader who took his monarchist Serbian Renewal Movement into the Yugoslav government in January, had hoped to isolate the hardline nationalist Serbian Radical Party, led by Vojislav Seselj, who is opposed to any foreign troops on Serbian soil.

Mr Milosevic, who has embraced and dumped various coalition partners during his decade in power, is believed to have used the rift between Mr Draskovic and Mr Seselj to gauge opinions within the regime and among the population. Mr Draskovic, a writer and former journalist, had succeeded this week in removing military censors from Studio-B, a Belgrade TV station controlled by his party. But his outspoken views were not aired by the main state network, Radio-Television Serbia.

Robin Cook, UK foreign secretary, said last night: "Milosevic is operating in the only way he knows how – with complete contempt for democratic rule."

Kosovo crisis, Page 2
US Congress debate, Page 4

EU and US may avert aircraft noise dispute

By Michael Skapinker in London and Mark Suzman in Washington

The European Union is today expected to avert a trade dispute with the US by postponing implementation of its new aircraft noise regulations for a year.

US officials last night described the planned delay as a "very constructive step".

They said they now expected legislators in Washington to drop moves to ban Concorde, the supersonic aircraft, from the United States.

European industry ministers meeting in Brussels are expected to approve new rules restricting the use of hush-kits, or engine mufflers, on aircraft, but to delay their implementation.

"If it happens, we would certainly work with Capitol Hill to make sure any legislation was put on hold," an administration official said.

Congressional aides confirmed that the delay would make it unlikely that the Senate would proceed with legislation to ban Concorde landings in response to the EU threats.

"The last thing we want is to engage in a trade war," a Capitol Hill official said.

The dispute centred on international moves to phase out by 2002 older, noisier aircraft, such as the Boeing 727, the DC-9 and earlier versions of the Boeing 737.

The US argued that older aircraft could meet the new regulations – drawn up by the International Civil Aviation Organisation (Icao) – if they were fitted with hush-kits.

The European Commission disagreed, saying hush-kitted aircraft were too noisy.

It proposed that no hush-kitted aircraft should be allowed to fly into the EU after April 1 2002 unless they had been operating in Europe before April this year.

This would have frozen the number of hush-kitted aircraft, mostly American-owned, at existing levels.

Today's decision is expected to ban hush-kitted aircraft after 2002 if they were not flying to Europe before May 2000.

The US said yesterday that, in return for the delay, it would now work with the EU to draw up the next set of noise regulations to be implemented within Icao.

US officials yesterday said the draft of the next generation of regulations could be ready as early as September.

Brussels officials stressed that European concerns about aircraft noise would not disappear.

The EU has argued it had to pay attention to aircraft noise because European population densities were higher than those in the United States.

The Commission is preparing a white paper on aviation noise and pollution that is expected to propose lower air traffic and landing charges for quieter and cleaner aircraft.

Publication of the white paper has been delayed by the resignation of the Commission, but is now expected late in the year.

Beef dispute, Page 4

Sega unveils global restructuring plans

By Paul Abrahams in Tokyo

Sega, the troubled Japanese computer game group, yesterday unveiled a global rationalisation programme that includes closing a US software business and amusement arcades in the UK and Australia.

Sega also issued a profit warning for the year that ended in March, indicating it would post a consolidated net loss of Y45bn ($377m), its second in two years.

The group's revenues of Y266bn for the year to March 31 undershot its previous forecast by 14 per cent.

Sega has been hoping its recently launched Dreamcast games console will help it to compete more successfully against older products of rivals Sony and Nintendo.

Fierce competition and early production problems with the microchips in the Dreamcast console had affected sales in Japan so far, the group admitted.

At the time of its domestic launch in November last year, the group had intended to sell 1m units by March. Instead it had sold 900,000. The consumer products division, which includes Dreamcast, undershot its sales forecast for the 12 months to March by Y14.5bn and posted an operating loss of Y11.5bn.

The group's fortunes hinge on the progress Dreamcast can make in Japan, and the product's success in the US and Europe, where it will be launched in September. Dreamcast is a 128-bit machine, with superior graphics to Sony's 32-bit PlayStation. However, it is hindered by a lack of software titles.

In a further blow to Sega's financial standing, Moody's, the US ratings agency, warned it might cut its rating on the group's senior unsecured long-term credit.

Shoichiro Irimajiri, president, said Sega would make extraordinary provisions worth Y33.3bn. These would cover write-downs for inventory of earlier generation games machines as well as closures of some overseas and domestic operations. The group will shut down about 100 of its 870 amusement arcades in Japan.

The aim of the restructuring measures was to reduce fixed costs by 30 per cent to Y21bn, said Mr Irimajiri. Senior executives will also take salary cuts and the number of board members will fall from 18 to 12.

The group's payroll will be cut by 25 per cent, with the 1,000 job losses achieved by early retirement and limiting recruitment.

Lex, Page 12

WORLD MARKETS

STOCK MARKET INDICES			GOLD		
New York: lunchtime			**New York: Comex**		
Dow Jones Ind Av	10,869.22	(+37.51)		$282.9	(282.3)
NASDAQ Composite	2,583.86	(−18.53)	**London:**		
Europe and Far East				$283.25	(281.95)
CAC40	4,374.70	(−16.22)	**DOLLAR**		
DAX	5,348.51	(+1.11)	**New York: lunchtime**		
FTSE 100	6,508.8	(+6.2)	£	1.6157	
FTSE Eurotop 300	1,327.03	(−0.57)	€	0.9419	
Nikkei	16,942.24	(−15.03)	SFr	1.5125	
US LUNCHTIME RATES			Y	119.105	
Federal Funds	4.75%		**London:**		
3-mth Treas Bills: Yld	4.51%		£	1.6151	(1.6163)
Long Bond	95⅔		€	0.9406	(0.9391)
Yield	5.59%		SFr	1.5124	(1.5078)
OTHER RATES			Y	119.155	(120.175)
UK: 3-mo Interbank	5⅛%	(5¼)	**Tokyo Close**		Y 119.13
UK: 10 yr Gilt	109.52	(109.46)	**EURO (London)**		
Euro Euribor	2.586%	(2.590%)	$	1.0653	(1.0649)
Germany: 10 yr Bund	99.02	(98.98)	£	0.6593	(0.6539)
Japan: 10 yr JGB	104.149	(104.099)	Y	126.696	(127.874)
OIL (IPE)			SFr	1.6082	(1.6054)
Brent (Jun)	$16.40	(15.9)			

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	Ikr265	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.55	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	FmK13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£1.05	Morocco	Dh18.00	Syria	S£90.00
Greece	Dr[illegible]	Netherlands	Fl 4.50(€2.10)	Tunisia	Din[illegible]
Hungary	Ft[illegible]	Norway	NKr18.00	UAE	Dh13.00

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CRISIS EXPLOSIONS ROCK PODGORICA ■ AIR STRIKES FAIL SO FAR TO DESTROY YUGOSLAV MILITARY ■ DIPLOMATIC EFFORTS CONTINUE ■ NATO SUPPORTERS TARGETED IN GREECE

Montenegro plea to Nato as bombing intensifies

By Kevin Done in Podgorica

Montenegro yesterday suffered its most intense Nato bombardment to date, with air attacks spreading to the strategically vital oil port of Bar.

The Montenegrin government appealed to Nato to halt the bombing, saying that it was offering Slobodan Milosevic, Yugoslav president, an excuse to intervene militarily in the delicately balanced republic.

Some 16 explosions were reported in and around the capital, Podgorica, during the early afternoon. A series of explosions was also reported at Bar, which has become the terminal for oil imports that is the focus of the western alliance's planned oil embargo on Yugoslavia.

Another wave of bombs landed in the early evening and appeared to be aimed at the vicinity of the city's main Golubovac airport and nearby aircraft hangars built into the hillside. As the bombs struck, children in a nearby school came running and screaming out into the street.

Montenegro, the tiny pro-western Yugoslav republic that has sought to remain neutral in the war between Nato and Belgrade, had previously largely been spared from air strikes since the bombing began five weeks ago.

Last weekend's Nato summit in Washington agreed to tighten the grip on oil supplies to Yugoslavia, however, creating a dilemma for Nato military planners as Montenegro provides the country's only access to the sea.

The Montenegrin government yesterday strongly denied claims made by General Wesley Clark, Nato supreme commander in Europe, on Tuesday that around 10 oil tankers a day were unloading refined oil products at Bar compared with only two or three ships a day before the announcement of international moves to block oil shipments.

Jusuf Kalamperovic, Montenegrin minister of shipping and transport, said the information about the 10 tankers was "absolutely incorrect". He offered unlimited open inspection of all documentation concerning the import and distribution of oil derivatives in Montenegro.

Nikola Dragomanovic, managing director of Jugopetrol, the mainly state-owned Montenegrin oil trding company, said all Montenegrin ports had received only nine tankers in the whole of the five weeks since Nato began its bombing campaign against Yugoslavia.

Most of the tankers were of small capacity and had delivered a total of 46,894 tonnes of oil products. Montenegro's average oil consumption totals around 35,000 tonnes a month, he said.

He appealed to all interested "to control both the delivery and distribution" of oil products and warned that the imposition of an oil embargo "would completely paralyse life in Montenegro and cause a further humanitarian catastrophe".

According to the United Nations refugee agency, around 65,000 refugees from Kosovo are currently being sheltered in Montenegro, which itself has a population of only 650,000.

Montenegro, the base of the Yugoslav second army corps, has been brought to the brink of civil war in recent weeks, as the reformist government of Milo Djukanovic, president, has sought to resist Belgrade's attempts to take control through a campaign of increasingly blatant army harassment. According to a senior government official, Montenegro is facing "a creeping coup" by Belgrade.

I entered Montenegro yesterday at the republic's Bozaj border crossing with Hani i Hotit in northern Albania with an official escort from the Montenegrin government, only to be stopped, slammed up against the side of a car and detained by a group of nervous Yugoslav army reservists.

Discovering my name and nationality, one tough reservist in his forties began a torrent of verbal abuse concerning "the hooligans and cowards Blair, Cook and Robinson" and in particular "the ugly Cook".

He offered to have a photograph taken with me "wanted dead or alive", and said he was ready to die for his country.

After five hours of interrogation and a search of my computer hard disk, I was released with my government escort.

Raids hurt but fail to cripple

By Alexander Nicoll, Defence Correspondent

Nato's five-week-old campaign of air strikes has caused considerable damage to Yugoslavia's economic and industrial infrastructure but has yet to cripple the military machine of Slobodan Milosevic, the Yugoslav president, according to military analysts.

Nato officials and government ministers of member countries insist daily that the bombing is hurting Mr Milosevic, whose power base depends heavily on support from the military. Robin Cook, UK foreign secretary, spoke this week of desertions from the Yugoslav army, and Javier Solana, Nato secretary-general, said yesterday: "Our campaign is working."

But analysts say Mr Milosevic has done a good job of conserving his military resources for the long haul in the hope that cracks will eventually open in Nato's resolve.

They do acknowledge that Nato's campaign – which officials have always said would take time to achieve its goals – will eventually begin to strangle Yugoslav forces and that the entry of an international force in to Kosovo is the only likely outcome of the present conflict.

But they say, so far, there are few signs of real stress in the Yugoslav military. There is little evidence the Yugoslav army and special police have yet suffered heavy casualties.

For example, Nato yesterday rained seven missiles on a military barracks in Topcider in the suburbs of Belgrade, according to Belgrade radio. But like many other barracks, it had been evacuated more than a month beforehand. Soldiers have been billeted in schools and other buildings, which would be difficult to hit.

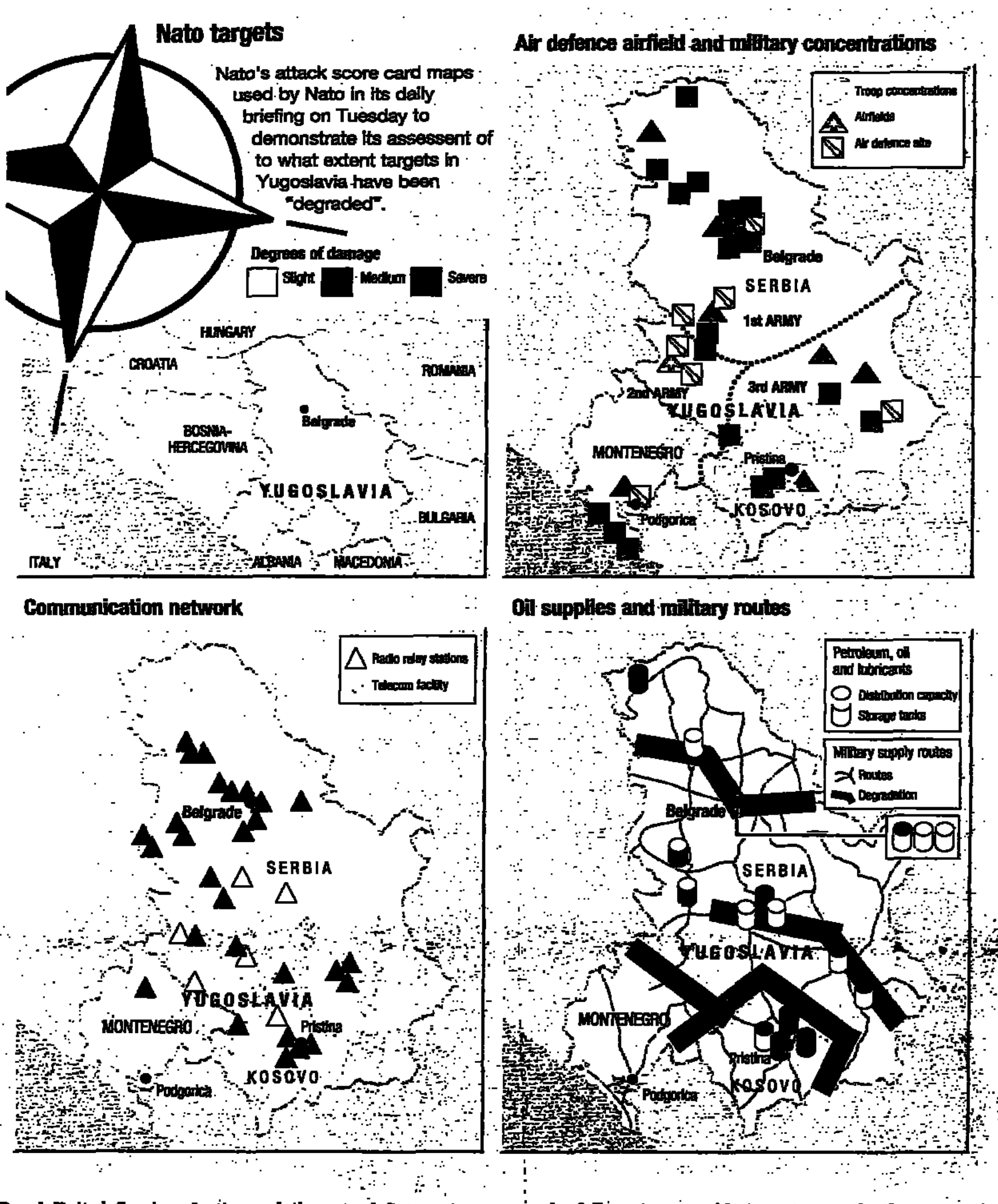
General Wesley Clark, Nato's supreme commander, said on Tuesday: "We know that his [Milosevic's] personnel and material losses are mounting, we know a number of key facilities that he values highly have been destroyed, and we are seeing daily evidence of declining morale and increasingly wide avoidance of the draft."

But Jonathan Eyal of the Royal United Services Institute says the air campaign "has not hampered the ability of the Yugoslav military to maintain up to 40,000 troops in Kosovo".

Analysts say Serb forces in Kosovo have been reinforced and appear able to move around with a fair degree of freedom in some areas, in spite of the risk of air attack and of Nato's intense efforts to isolate them by cutting supply lines, fuel, ammunition, and command and control. Elsewhere in Serbia, military assets such as mobile anti-aircraft guns are moved around on public roads apparently at will, says Guy Dinmore, the FT's Belgrade correspondent, who was expelled from Yugoslavia this week.

Although there have been many attacks on command and communications facilities, Andrew Brookes of the International Institute for Strategic Studies says forces in Kosovo can probably act fairly independently. "They know what their orders are, and they are left to get on with it... Each commander has an area which he is responsible for cleansing," he says, referring to the expulsion of ethnic Albanians. The commanders do not need a rigid centralised structure, Mr Brookes says.

Nato has not yet knocked out substantial numbers of tanks and other military vehicles. Officials say the



Analysts say Mr Milosevic has done a good job of conserving his resources

Serbs are hiding vehicles in Kosovo, only moving when cloud obscures Nato's surveillance. A sustained period of good weather would, they say, make a big difference by enabling the alliance to spot military assets on the ground and attack them.

The alliance's efforts to avoid hurting civilians also limit its effectiveness, as do the campaign's already well-identified shortcomings: namely failure to assemble enough aircraft to start with, over-bureaucratic selection of targets, the need to bring all Nato members on board as each change to the campaign is contemplated, and, in the view of some observers, the failure to fly low enough.

Where the Nato campaign clearly has had an impact is in the broader economy, although Nato insists it is only attacking military targets. Tens of thousands of Serbians have been put out of work by the destruction of the country's oil refineries and its Zastava car factory, as well as chemical and engineering plants.

Attacks on bridges, roads and railways are devastating the country's transport system. Fuel supplies have been considerably depleted and most recently the country's television system has been damaged. This campaign against strategic targets, which has included ministries and command centres, appears to be working.

However, analysts note the number of strike sorties – take-offs by aircraft intending to drop bombs – has been relatively small at under 5,000 so far, and many of these have been aborted because of weather, failure to locate targets, or risk of unintended damage. Nevertheless, many targets are being hit repeatedly in order to complete their destruction or to halt repair work. "Nato is running out of targets," says Mr Eyal. Military commanders deny this.

Summer weather and the arrival of many more aircraft, including some specialising in ground attack, will certainly aid Nato commanders in wearing down the resistance of Serb forces. But the campaign is likely to last some time yet if there is no political solution.

German drive in search for a settlement

By Haig Simonian in Berlin

The German government was yesterday positioning itself as a focal point for peace efforts in Kosovo amid a flurry of diplomatic activity between Berlin, Moscow and other capitals.

After playing host to Kofi Annan, the UN general-secretary, in Berlin for talks on Kosovo before he headed on to Moscow, Chancellor Gerhard Schröder was due today to receive Victor Chernomyrdin, Russia's special envoy to Yugoslavia, on his way to Belgrade.

The German government is still pushing hard its peace plan, drawn up earlier this month, which envisaged a 24-hour Nato ceasefire as soon as Belgrade begins to pull its forces out of Kosovo. The plan, devised by Joschka Fischer, foreign minister, has met with a mixed response from Germany's Nato partners.

To advance its peace deal, the German government said yesterday it hoped to host a long awaited meeting of foreign ministers of the G8 – the world's seven biggest economies and Russia – in Bonn on May 11 to discuss the crisis.

Germany's coalition government of Social Democrats and environmentalist Greens is particularly keen to end the fighting, as both coalition parties comprise vocal anti-war wings. Mr Fischer's own Greens have called a special congress on May 13 to discuss Kosovo, amid dangers the party may split over the issue.

Germany has repeatedly stressed the need to bind Russia in any diplomatic solution to the Kosovo fighting. Mr Chernomyrdin's decision to visit Bonn and Rome on his way to Belgrade today suggests that Moscow, in turn, believes these are the Nato allies most open to compromise with Slobodan Milosevic, Yugoslav president.

Germany said meetings during last week's Nato anniversary celebrations in Washington had demonstrated a desire to put "new life" into efforts to find a diplomatic solution in Kosovo. "The aim is to build up momentum for a political solution and ensure Moscow remains in the circle."

Mr Annan, speaking in Berlin, said the latest signals from Belgrade were "slightly encouraging", but this was before it emerged that Vuk Draskovic, the outspoken dove in the Yugoslav government, was sacked.

In spite of the "confusing" signals from Belgrade, Mr Annan said Mr Milosevic remained central to Serb policy. "In these kinds of situations, it is rare that one is called upon to make contacts with friends or with angels," he said.

Terrorists target backers of Nato

By Kerin Hope in Athens

A leftwing Greek terrorist group yesterday said a bomb explosion at the Intercontinental hotel in Athens was targeted at international companies seen as supporting Nato's air campaign in Yugoslavia.

The bomb, left outside a side entrance, exploded on Tuesday night as the hotel was being evacuated. A Greek woman executive was killed.

A group called Revolutionary Cells made warning calls to Greek newspapers and a television station 15 minutes before it went off.

Police said the woman, who was preparing a seminar at the hotel for Altec, a Greek computer company, died on the way to hospital. A man was also seriously injured in the blast, which was aimed at a conference arranged by the Economist Intelligence Unit, the UK economic information group.

Several other big hotels in central Athens were evacuated after receiving bomb warnings from an anonymous caller, but no explosive devices were found.

In a statement published yesterday in Athinaiki, an Athens newspaper, the group criticised Nato's bombardment of Yugoslavia and accused the conference sponsors of "arrogance". The conference, attended by Greek and international economists and bankers, opened on schedule yesterday.

The bomb attack came amid intensifying opposition in Greece to Nato's air strikes against Yugoslavia. According to an opinion poll published last week, more than 90 per cent of Greeks oppose the air strikes and over 60 per cent support Slobodan Milosevic, the Yugoslav president, in the conflict in Kosovo.

The Socialist government is struggling to keep a balance between its obligations as a Nato member and its reluctance to put pressure on Yugoslavia while public opinion remains overwhelmingly pro-Serb.

Since the start of the Kosovo conflict, Greek newspapers and television have supported a popular perception of Serbia as an historic ally, which shares the Orthodox religion. The Athens media has presented the waves of Kosovo Albanian refugees flowing into Macedonia and Albania as fleeing Nato's bombardment, not the Serbian campaign of ethnic cleansing.

KOSOVO UPDATE

Serb civilians killed by bomb

At least 17 people were killed in Surdulica in southern Serbia after a bomb veered off course.

Nato apologised for the deaths and said a precision-guided missile had veered and landed in a residential area 200 to 300 metres away from barracks destroyed in the attack.

US to toughen sanctions

The US Commerce Department is expected to announce details of intensified US sanctions on Serbia. The aim is a comprehensive embargo of exports and re-exports of all goods, including oil and petroleum products such as gasoline, officials said. Under the rules, a licence from the Commerce Department would be required for all US exports to Serbia.

Support for EU oil ban

The European Union said its ban on the sale of oil and oil products to Yugoslavia had the support of the EU associate countries of eastern and central Europe, Cyprus and the EFTA countries.

Nato lambasted by UK MP

Tony Benn, a British government MP, yesterday accused Nato of "war crimes" following reports of civilian casualties from allied air raids. The claim brought an angry response from Tony Blair, the UK prime minister.

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Art tax decision 'to hit UK'

By Antony Thorncroft in London

British art dealers warned yesterday that a European Commission decision to double value-added tax on works of art imported into the UK from outside the European Union would drive the international art and antiques trade out of London.

The Commission yesterday overrode the UK government's objections and confirmed that VAT must be doubled to 5 per cent from July 1, bringing it into line with the minimum rate in the rest of the EU.

Neil Smith, secretary of the British Art Market Federation, described yesterday's decision as "very disappointing".

Other dealers said they were waiting to study the detail of the ruling, but many expect much of the dealing in antiques to switch to New York and Switzerland following imposition of the full 5 per cent rate.

New York has already overtaken London as the main market.

The UK was given a special and temporary exemption from the harmonised EU rate in 1995 and allowed to introduce VAT at 2.5 per cent.

In the first year of the new rate, the value of art imports into the UK fell from £1bn ($1.6bn) to nearer £600m ($970m), undermining London's position as the major entrepôt for the international antiques trade.

Britain can only overturn the Commission's decision with the unanimous support of its EU partners, all of which are satisfied with the measure in its present form.

The Commission used an independent study to demonstrate that art imports to the UK had recovered in recent years, in spite of the imposition of VAT.

But Mr Smith said much of the rise in art imports to the UK in 1998 reflected dealers' purchases ahead of the expected EU ruling.

He estimated that around 30 per cent of the annual transactions of the 100 leading British dealers were with non-EU buyers and sellers.

A Japanese collector with an important Impressionist painting to sell would now simply send it to an auction house or dealer in New York or Zurich for disposal rather than to London.

The decision will affect dealers much more than the leading auction houses, which have built up a network of international salerooms.

Brussels to reform competition law

By Neil Buckley in Brussels

The European Commission is proposing to "decentralise" investigation of restrictive practices cases, shifting some of the burden on to national authorities, in one of the most significant reforms of European Union competition law since the 1960s.

Since 1962, the Commission has had exclusive powers to grant exemptions for agreements such as cross-border price-fixing or production-sharing arrangements that would otherwise be banned by article 85 of the EU's founding Treaty of Rome.

Companies seeking an exemption have to notify agreements to the Commission, often resulting in a lengthy investigation.

But proposals in a white paper published yesterday would end this centralised system of notifications and exemptions.

National competition authorities and courts would be given joint responsibility along with the Commission to implement article 85. Companies would no longer be obliged to notify agreements, although they could ask Brussels or the national courts to rule on whether they were pro-competitive.

At the same time, Brussels would step up its efforts to investigate complaints from competitors about such agreements and stiffen the rules preventing the most serious abuses.

Karel Van Miert, competition commissioner, said yesterday the change would relieve the pressure on the Commission's resources.

A centralised authorisation system on restrictive practices cases was needed in the 1960s when EU competition law was in its infancy.

But creation of the EU single market, enlargement of the EU to up to 25 members and the development of a substantial body of EU competition case law required a new system.

"Our objective is to target the most important competition cases and companies with the biggest market shares, where the biggest competition issues are likely to be raised," Mr Van Miert said.

Publication of the white paper begins a consultation process, with EU member states and interested parties given until September 30 to comment.

The new European Commission, which takes power in the autumn, will then produce formal legislative proposals, which must be approved by EU ministers. The Commission hopes to have the rule changes in place by 2003.

● Although the European Commission is operating in a caretaker capacity only, Karel Van Miert, competition commissioner, yesterday outlined a formidable list of cases he hopes to complete before the executive breaks up for its summer recess at the end of July, writes Peter Norman in Brussels.

The cases include an investigation of the German public banks or Landesbanken; book price fixing in Germany and Austria; suspected misuse of state aids paid to Kvaerner Warnow, an eastern German shipyard; and a probe into Formula One motor racing business.

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EUROPEAN CENTRAL BANK FUND'S CODE OF CONDUCT LENDS SUPPORT AFTER BANK HAS COME UNDER FIRE FOR MIXED SIGNALS

IMF backs the ECB's line on disclosure

By Tony Barber in Frankfurt and Robert Chote in Washington

The European Central Bank, under fire for issuing mixed signals on interest rate policy and the euro's appropriate exchange rate, received support yesterday from the International Monetary Fund for refusing to publish minutes of policy meetings.

Launching a code of good conduct for monetary and financial policy, the IMF said transparency was generally desirable, but extensive disclosure requirements could disrupt markets and constrain freedom of discussion among policymakers. "Thus it might be inappropriate for central banks to disclose internal deliberations and documentation," the IMF said.

Some economists say the ECB's refusal to publish minutes is creating an air of uncertainty about the young bank's intentions that may prompt pressure for more openness and clarity.

But they say financial markets have been more disconcerted by apparently contradictory remarks made in the past month by Wim Duisenberg, the ECB president.

The confusion has arisen since the ECB cut interest rates on April 8, and in particular from testimony that Mr Duisenberg gave on April 19 to the European parliament's monetary affairs committee. There he stated clearly that the euro's weakness against the dollar did not bother him.

However, two days ago he changed tack and said in Washington that it would be a matter of concern if the euro continued to fall.

In similar fashion, Mr Duisenberg could scarcely have been more emphatic on April 8 when, at a news conference devoted to the ECB's 0.5 percentage point cut in its main interest rate, he declared: "This is it."

Financial markets took this as a clear sign that the ECB wanted to help the euro-zone economy by ending speculation about when rates might change again.

But only 11 days later, at the European parliament committee hearing, Mr Duisenberg surprised everyone by declining to rule out another rate cut.

"All in all, the 'this is it' statement appeared to be less well thought out than originally assumed," said Gerhard Grebe of the Swiss brokerage Julius Bär.

"In support of the ECB, it could be added that Duisenberg, having had second thoughts, recognised the disadvantages of prematurely fixing future interest rate policy. Against the ECB, the criticism could be made that Duisenberg's remarks lacked sufficient reflection, now resulting in confusion."

Mr Duisenberg's remarks in Washington on the exchange rate were in tune with comments over the previous few days from several colleagues on the ECB's executive board. These indicated the central bank's view that, at roughly $1.06 to the euro, the euro had fallen far enough.

The euro has lost about 10 per cent of its value against the dollar since early January.

France to look into pensions

By Robert Graham in Paris

France's Socialist-led government will today launch a key debate on the politically sensitive issue of funding the accelerating deficit in the country's state-run pensions system.

The debate will centre on proposals for tackling the pensions' deficit in a report prepared by Jean-Michel Charpin, head of the state-run planning commission.

The report has been painstakingly prepared over the past year and underscores the commitment of Lionel Jospin, prime minister, to proceed with this reform only by consensus.

The last attempt to introduce a reform of the pensions system in 1995 under the rightwing administration of Alain Juppé involved a head-long assault to end the privileges of employees in the SNCF, the state-owned railways. This provoked a bruising industrial confrontation that forced the withdrawal of the proposals and undermined the Juppé government's credibility.

The experience of 1995 has convinced Mr Jospin and his senior ministers of the need to "sensitise" public opinion and prepare the ground carefully with the unions – especially in the public sector where sacrifices are likely to be called for.

The pensions debate is likely to go on throughout 1999 with firm proposals only expected to be put before parliament next year.

The Charpin report is based on demographic calculations that after 2005 the number of people aged over 60 in France will rise sharply as a result of the combined impact of the "baby-boom generation" reaching retirement age and of people living longer. By 2040 France is expected to have 70 people over 60 for every 100 aged between 20 and 59, almost double the current level.

In terms of public finance the pensions overhang on current trends will reach a total deficit of FFr490bn (€74.7bn, $79.5bn) in 2020. To finance this within the existing system would mean finding FFr412bn in extra contributions from employers and employees. Of this, FFr182bn would have to be found to cover state and para-state employees. By 2040 the total deficit will rise to FFr800bn in 1998 francs, demanding an even greater rise in contributions.

The two most sensitive issues in the Charpin report concern the disparities between public and private sector pensions and the role of privately run pension funds. The early retirement provisions and pension payments of France's large state and para-state workforce will have to be brought in line with the less generous private sector regimes. tor.

Private sector partners share government's traditional role

The idea of splitting infrastructure costs with business is growing, writes **Nicholas Timmins**

After a slow start, partnerships between the private and public sectors to fund and operate infrastructure projects are set to take off in Europe.

A profound cultural change is under way as many countries find themselves forced to look to public/private partnerships (PPPs) – the use of private money and private companies to finance and operate infrastructure that used to be almost entirely publicly funded. PPPs are one solution for countries that have found that public expenditure constraints of the euro have limited their ability to borrow for spending on roads, rail, bridges, ports, water and sewage schemes and similar infrastructure.

The European Commission, through its grant mechanism, is taking steps to encourage PPPs. And increasingly, the process is stretching down to local government. As has already happened in the UK, the private sector may be financing and contracted to run hospitals, prisons and schools.

"PPPs are the future," Geoffrey Spence, head of project finance for Europe, the Middle East and Africa at Deutsche Bank, says. "It will take time for many schemes to come to fruition, but in the end they will come through."

Four pressures, he says, make the change inevitable. The first is the euro. The limit it sets on government borrowing "means there will not be enough public money to meet the demand for infrastructure." Second, EU grants are being refocused, shifting money from the south with further transfers likely to central Europe as new members join. "This means there will be a gap between society's need for infrastructure and governments' ability to finance it."

Third, successful privatisations have taught governments that private expertise can be used for the public good. And fourth, the development of the euro capital market has changed the financing prospects.

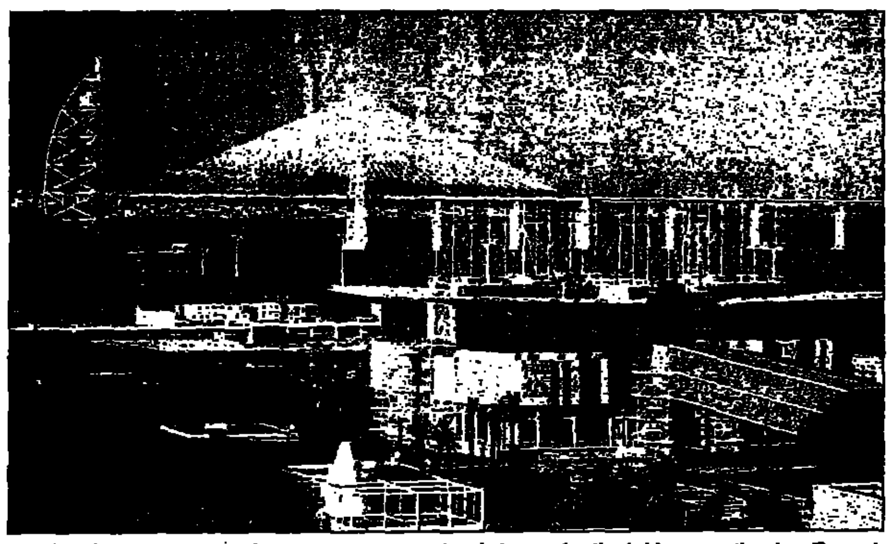
Eight years ago Deutsche Bank financed a power station in Portugal through a PPP, Mr Spence says. Finding the money was hard. Banks wanted to limit the length of time they were exposed to possible fluctuations in the escudo. Now that Portugal, and other countries such as Spain and Italy, use the euro "the opportunities are there for long term debt finance which would not have been possible for many European countries".

Providing private sector concessions to run public infrastructure is far from new – notably in France for water services and in a limited way for motorways. In Portugal the Tagus bridge in Lisbon was an early PPP.

But at a recent conference in Rome, organised by Project Finance International, the acceleration now under way was spelt out.

Portugal has started a big programme for roads, with six based on shadow tolls and two using real tolls. Greece has four rail projects, including an underground, either already into the PPP process or are planned, along with an underwater tunnel, gas distribution networks, water, sewage and port and telecommunications schemes, plus significant lengths of motorway.

Each of these requires a separate law. But in the hope of attracting private finance for a number of key facilities for the Olympics in 2004, the government is planning legal changes that should make PPPs easier. Hospitals and prisons are possible in the next two to three years, George Ganotis, general secretary at the ministry of public works, says – although they will be limited to the support services of such institutions, not the clinical or security ones.



Bridging the finance gap: private money was used to help pay for the bridge over the river Tagus in Lisbon for the Expo 98 exhibition Luis Goncalves

Italy is changing the law to make PPPs easier and is launching two big motorway projects and a rolling programme to identify PPPs, which are likely to cover at least as wide a range of projects as those planned for Greece. A task force, modelled on the UK Treasury's private finance initiative task force, is being established to drive the process.

Ireland too is creating a Treasury task force, while Spain has made legal changes and has large road projects and private construction and management of the Madrid-Barcelona-France rail line under way.

In the Netherlands – which, unusually, has a budget surplus so large it could live without PPPs – the approach is being used for the new high-speed Amsterdam to Antwerp rail line, with 15 other projects to be phased in over the next few years.

"We don't need to do this to attract the money," Alexander van Altena, the rail line's project manager in the Ministry of Transport says. "If it falls through, there is public money reserved for it." But "we think we will get a better deal" from the private sector.

PPPs in mainland Europe are likely to differ from many of the deals in the UK. It aims to hand over entire projects. Continental governments are likely to spend more public money and make stronger guarantees.

Ministries, finance houses and lawyers acknowledge that legal and cultural difficulties, including public dislike of privatisation, still have to be overcome if PPPs are to become the standard way of building and running public infrastructure.

But Jeff Thornton, head of public sector finance at the Royal Bank of Scotland, believes the euro swings the balance in favour of PPPs: "I do now detect a sea change in the way European Union governments are thinking about major procurements – the prospects are real."

More compensation for E German victims

By Haig Simonian in Berlin

The German government yesterday announced measures to compensate more victims of injustice in the former East Germany in a move that could add about DM300m (€153m, $163m) a year to state spending. They increase the number of people eligible and some payments.

Separately, the Federal Constitutional Court decided that reductions in pension payments to certain groups of former East German citizens, such as state security officials, were illegal, increasing further the burden on the German budget.

● Germany's economy grew less strongly last year than originally reported, according to revised figures issued yesterday by the federal statistics office, reports Ralph Atkins in Bonn.

Gross domestic product grew by 2.3 per cent – instead of the 2.8 per cent previously announced.

CONGRESS DEBATE ON KOSOVO WAR

Not much of a challenge to Clinton

By Deborah McGregor in Washington

When it comes to the war in Yugoslavia, the US Congress has so far resembled a stealth fighter, showing up on the political radar screen as little more than a series of random dots suggesting some sort of shape but no clear direction.

Yesterday, Republicans in the House of Representatives continued that elusive approach.

Although lawmakers were debating whether the president should be forced to seek congressional approval before sending in any ground troops, they shied away from a full-blown confrontation with the White House over their role in setting the boundaries for a war that most are content to refer to as "Mr Clinton's war".

The House was expected to defeat resolutions forcing Congress to either declare war in Yugoslavia or demand an immediate retreat. There was, quite simply, no appetite for a showdown over the Vietnam-era War Powers Act, which technically requires the president to notify Congress when US forces are engaged in military action and establishes a 60-day deadline for Congress to authorise a troop commitment.

Yesterday's action – or lack of it – underscored the extent to which the Republican-led Congress is divided, not only about its role but about how to respond to public opinion, which registers continued strong support for the US role in the war.

Some Republicans support the war. Some do not. Some want ground troops. Some say withdraw.

At one end of the spectrum is John McCain, the Arizona Republican and Republican presidential contender.

He has urged Bill Clinton to fight to win in Yugoslavia and has also sought to force a debate among his colleagues in Congress by introducing a resolution that would authorise the president to employ "all necessary force" in the war.

At the other end is Jay Dickey, a Republican from Arkansas who favours an immediate halt to the war. In his view, the US has done what it promised to do – bomb the Serbs – and there is nothing to be lost by retreating before the US gets in any deeper. "We've already kept our word. We said we were going to bomb. If we stop right now, what harm would there be?"

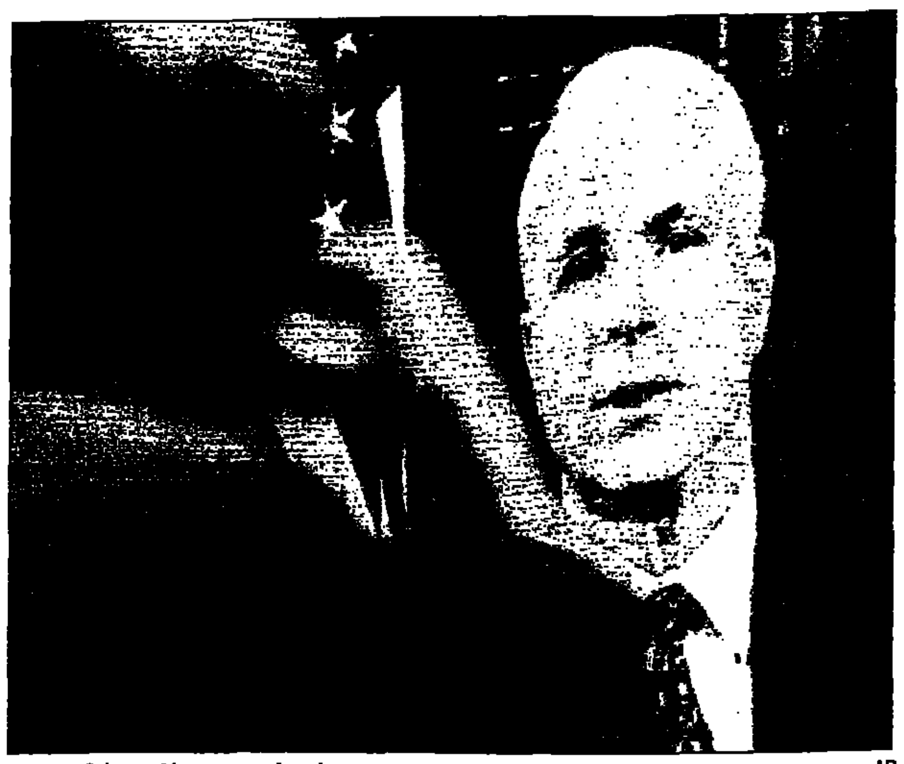
Complicating matters is the fact that, like most wars, this one does not observe party loyalties. When Mr McCain raises a passionate voice against waging a limited war, he is joined by other Vietnam veterans, some of whom happen to be Democrats. John Kerry, a Navy war hero and Democratic senator from Massachusetts, has urged Mr Clinton not to "ask people to give their lives for something less than the prospect of success".

And, as always with members of Congress, local concerns often take precedence over sweeping constitutional matters. Mr Kerry, for example, moved swiftly in response to Mr Clinton's announcement that he would call up 33,000 reservists to active war duty by introducing legislation to make small business owners affected by the move eligible for federal loan assistance.

For the most part, Republican leaders in Congress have been cautious because they fear that politicising the war would cause a public backlash. Mr Clinton yesterday repeated his request to congressional leaders not to send any signals that could give Slobodan Milosevic, the Yugoslav president, the impression of a weakening American resolve.

Normally, Congress's wartime power resides in its control over the federal purse strings. It authorises or witholds funding for military operations, thereby exercising some leverage over the scale of conflict. In the current case, however, Republicans want to spend even more than the commander-in-chief – about $13bn compared to his $6bn – in an attempt to impress their foreign policy credentials on the public.

As the war debate continues, Congress and the White House do at least appear to have agreed on one thing: the impotence of the 1973 War Powers Act. Every president since Richard Nixon has ignored the law, contributing to Republicans' current sentiment that dodging detection is the safest way to fly.



John McCain: seeking a ground push AP

Netscape chief faces grilling

By Gautam Malkani in Washington

Peter Currie, executive vice-president of Netscape Communications, yesterday revealed that, even in the midst of negotiations over America Online's $4.2bn takeover of his company, AOL's commitment to use Microsoft internet browser technology was not a significant factor.

Mr Currie was giving a verbal deposition to Microsoft lawyers in a Washington hotel yesterday. Microsoft is gathering evidence about the Netscape-AOL deal in the middle of its landmark antitrust trial as it believes the takeover might have a significant bearing on the outcome.

Part of the Justice Department's arguments during the trial of the world's largest software company have focused on AOL's decision in March 1996 to distribute Microsoft's browser instead of Netscape's.

AOL is contractually obliged to continue distributing Microsoft's browser until 2001.

Microsoft is accused of abusing its dominance of the Windows operating system unfairly to promote its internet technology.

Mr Currie, the former chief financial officer who helped put the deal together before it was announced in November last year, yesterday indicated that AOL had made clear the importance of access to Microsoft technology during initial talks. After that "it was not a big area of analysis". The takeover was completed last month.

Microsoft has argued the deal could undermine the antitrust charges against it as it shows the technology industry is highly competitive.

Judge Thomas Jackson, who is presiding over the case which is in recess, had allowed Microsoft to gather evidence about the deal.

NEWS DIGEST

COMMERCE DEPARTMENT

Transport sector leads rise in US goods orders

New US orders for durable goods rose 2 per cent between February and March to $197.7bn, led by strength in the transportation, industrial machinery and electronic machinery sectors. The rise, reported by the Commerce Department yesterday, came despite a decline in the aircraft sector and weak demand abroad.

The transportation sector, which has been up in four of the past five months, turned in the best performance. Increases were recorded in shipbuilding and tanks, motor vehicles and parts and railroad equipment, more than offsetting the decline in aircraft and parts. Excluding transportation, new orders rose 1.5 per cent in March.

Gordon Richards, with the National Association of Manufacturers, described the report as "rather like a mixed salad – varied, interesting and a bit surprising". While orders had not offset a February decline, they had risen in four of the past five months "so that the overall picture is one of steady growth". Nancy Dunne, Washington

BANKRUPTCY LAWS

Renewed push for reform

Credit card issuers are resuming their efforts to reform US bankruptcy laws, amid indications that the sharp rise in personal bankruptcies over the past few years may be reaching a plateau. Attempts at reforming the bankruptcy law passed in the House last year but failed to pass the Senate. A new reform bill was approved by the Senate judiciary committee earlier this week and its proponents hope it will reach the floor of the House early next week.

The number of petitions for personal bankruptcy in the US last year reached a record 1.4m. This was more than double the level of 1989. In 1980, when the economy was in recession, fewer than 300,000 people petitioned for bankruptcy. John Authers, New York

GENERAL STRIKE

Patchy support across Peru

The first general strike in more than 10 years in Peru won patchy support across the country yesterday. Protesters blocked some roads in the capital with burning tyres and public transport and schools were partially affected.

In some provincial cities – including Cusco, Iquitos and Huanuco – almost all offices, stores and schools were closed and workers marched through the streets in a show of support for the broad-based protest against the policies of Alberto Fujimori, president.

The strike, called by the Peruvian General Workers' Federation, gained support when the union entered an alliance with regional and women's groups, shanty town organisations and student unions. Jane Holligan, Lima

On the web today

● Mexico banking systems problems stand in way of Zedillo's moment in history ● Patchy support for Peru general strike ● Microsoft lawyers quiz Netscape chief http://www.ft.com/americas

Mexico gets choosy over IMF finance

By Andrea Mandel-Campbell in Mexico City

Mexican officials met Michel Camdessus, International Monetary Fund managing director, in Washington yesterday to discuss a fresh financing package, having all but rejected a new IMF anti-contagion credit line.

The officials, José Angel Gurría, the finance minister, and Guillermo Ortiz, central bank governor, were strongly critical of the contingency credit lines, approved last week by the IMF, to protect countries with sound economic policies from financial crisis.

The Mexicans, in the market to roll over a portion of $8.2bn in IMF loans coming due between now and 2000, say they would prefer fresh capital to the promise of money that may never come. Mexico is particularly disappointed by conditions that seemingly preclude countries already participating in IMF loan programmes.

Mexico had been holding off on negotiations with the IMF begun earlier this year.

"They are saying you can't be hit by contagion if you are already under a programme – it doesn't make any sense," said Marco Provincio, finance ministry spokesman. "Since we first struck a deal with the IMF after the [1995] banking crisis, we've been hit by Asia and then by low oil prices."

Instead, Mexico expects to reach a stand-by loan agreement with the IMF in June to roll over a little more than half of $8.2bn – part of an unprecedented $17.8bn emergency facility issued after the 1994 peso crisis.

The agreement is likely to include conditions calling for the passage of new legislation, currently held up in the Mexican Congress, to clean up the banking sector.

Other conditions would see Mexico decreasing its reliance on oil revenues, which represent one-third of government income.

Mexico is looking to settle any outstanding debt concerns as it heads into presidential elections in 2000.

The country is negotiating from a position of relative strength because of a strong peso, healthy reserves and buoyant trade.

WORLD TRADE

US drops drugs and food from sanctions

By Mark Suzman in Washington

President Bill Clinton yesterday announced that the US would modify its use of economic sanctions to allow for commercial exports of food and medicine.

The decision marks a significant change in US policy and follows extensive lobbying by agricultural and humanitarian groups. In recent years the US has made increasing use of sanctions as a weapon against hostile states, and six countries – Iran, Iraq, Cuba, Libya, Sudan and North Korea – are now under embargo.

The president's decision, which was welcomed by Richard Lugar, chair of the Senate agricultural committee, could pave the way for significant US food exports to several of the states, including a proposed $500m sale to Iran. However, White House officials said the change would not necessarily include processed foods or high-tech medical equipment.

Stuart Eizenstat, under-secretary of state, said that the decision was not designed to help any particular country but was the product of an ongoing review of US sanctions policy. He said it would apply to all future unilateral sanctions.

"It has been implemented as part of our overall approach to sanctions reform and is not directed at any specific country," he said. "In fact the national security and foreign policy concerns that led to the original decision to impose comprehensive sanctions on those countries still pertain."

Mr Eizenstat said the move was justified because the main aim of sanctions was to change the behaviour of hostile regimes, not to deny humanitarian needs.

"Sales of food, medicine and other human necessities do not generally enhance a nation's military capacities or support terrorism," he said.

"On the contrary, funds spent on agricultural commodities and products are not available for other, less desirable uses."

White House officials stressed the announcement did not mean the US believed sanctions were no longer a useful foreign policy tool. The president would retain the authority to impose restrictions on food and medicine if circumstances were appropriate, they said.

Individual applications for suitable exports will be considered on a case by case basis under a licensing system to be worked out by the departments of State, Commerce and Agriculture in conjunction with the Treasury. All sales will have to be conducted at prevailing market prices and no open-ended contracts will be approved.

Any approved exports will generally be restricted to non-government bodies. However, some sales to parastatals and procurement agencies will be permitted provided they are not affiliated with the police, army or any other coercive state bodies.

Iraqis queue for food at a distribution centre in Baghdad. The US is to modify its use of food and medicine sanctions against countries such as Iran, Iraq, Libya, Sudan and North Korea

Gephardt backs China on move to join WTO

By Nancy Dunne in Washington

Congressman Richard Gephardt, the House minority leader and a pivotal player on trade policy, yesterday said it was in US interests for China to join the World Trade Organisation.

Mr Gephardt is usually an opponent on human rights grounds in the annual battle over renewal of China's trade status, but he commended the Clinton administration on the progress made in negotiations on a market access package. He said Congress should allow the administration to complete negotiations before passing judgment.

"It is important that the Congress evaluate any final deal on the merits of whether it is a good deal for our economy," he said. "As hard as it may be for some, particularly in the Republican party, this process should and must not be politicised."

Speaking at a conference sponsored by the Economic Strategy Institute, Mr Gephardt warned that "isolationism is on the ascent in the Republican party". For this reason, support from Mr Gephardt and other progressive internationalists is important for future efforts to pass legislation giving China permanent Most Favoured Nation status. Under MFN – or Normal Trade Relations, as it is called in the US – a trading partner has the same trade benefits as most other countries.

Business representatives, anxiously watching the US-China negotiations for backsliding on existing concessions, have been encouraged by the recent talks in Beijing. A few issues have been added to the agenda, such as US insistence that American car companies be allowed to offer financing for vehicle purchases, and a provision for direct sales in several sectors.

One stumbling block is that the US wants China to be considered as a non-market economy when applying dumping laws, so that US companies can more easily be protected against import surges. Mr Gephardt also said that "tangible Chinese progress" on human rights, labour rights and environmental protection must take place before many in Congress would support a deal.

Business lobbyists have been encouraged by the response on Capitol Hill to Chinese concessions. They have been struggling with the question of whether to seek permanent MFN in June, when the president usually asks for another year of temporary MFN, or to seek it later after building support for the deal.

"We have a shot at one vote," said Myron Brilliant, Asia manager for the International Chamber of Commerce. "If negotiations with China can be wrapped up in time, we want to see closure on this."

He said there had been a growing recognition that the deal to open the Chinese market was in the US interest. If China joins the WTO, US companies will not be eligible for many Chinese concessions on telecommunications, insurance and other sectors unless Congress approves permanent MFN.

HORMONE-TREATED MEAT WASHINGTON TOLD TO TIGHTEN UP CONTROLS BY JUNE 15 OR FACE EMBARGO

Brussels gives ultimatum over beef

By Neil Buckley in Brussels and Frances Williams in Geneva

The European Union is set to ban hormone-treated beef imports from the US from June unless Washington tightens up controls on the meat.

The move, which follows EU veterinary experts' backing, gives Washington until June 15 to take steps to ensure beef certified as coming from animals not reared on growth hormones is genuinely hormone-free.

A recent study by French and Dutch vets found 12 per cent of US meat certified hormone-free contained residues of the growth stimulators. The origin of the problem is not clear.

A ban on hormone-free meat – first threatened by the European Commission, the EU executive, last week – would effectively block all remaining beef imports from the US. The EU already bans meat from animals fed with growth hormones, claiming it can cause cancer in humans.

The Commission was expected to adopt the ban formally after getting the go-ahead yesterday from a committee of member countries' vets.

Last week's disclosure of the ban threatened to increase transatlantic trade tensions at a sensitive time. Brussels and Washington have been at loggerheads over the EU's banana regime, and moves to curb aircraft noise – as well as a World Trade Organisation ruling that the EU's 10-year ban on hormone-treated beef violates world trade rules as it is not supported by scientific evidence.

The EU has until May 13 to comply with that ruling and has ordered 17 studies to strengthen its case on the dangers of hormones.

But on beef certified hormone-free, EU officials suggested talks with the US in recent days had been constructive. They said both sides were working together to find the source of the problem, and they had received assurances from US officials that they would tighten controls in slaughter houses.

"There is a willingness from the two sides to find a solution," said one Commission official.

Only 10 abattoirs were involved in exporting the 7,000 tonnes of hormone-free beef, worth $20m, which went to the EU last year.

At the WTO in Geneva the US and Canada gave an unenthusiastic reception to an EU proposal to negotiate compensation for keeping its ban on North American hormone-treated beef after the May 13 deadline.

The two countries have threatened to ask the WTO for permission to retaliate against EU goods if the ban was not lifted. The WTO ruled early last year that the decade-old prohibition was not justified by adequate scientific evidence.

However, Brussels has interpreted the ruling as meaning that it can keep the ban provided new scientific studies show a risk to health. These studies will not be completed until the end of the year, although EU officials yesterday said they hoped for an interim assessment soon.

The US told a meeting of the WTO's dispute settlement body yesterday that Washington would only accept compensation pending a lifting of the ban. Canada said it was prepared to consider compensation offers.

The US is due to publish next month a final list of EU products that could be hit with 100 per cent tariffs if the WTO gave the go-ahead in June or July.

Alcatel to produce new ultra-thin battery in US

By Peter Marsh in London

Alcatel, the French electronics company, is attempting to rival Japanese groups such as Sony and Matsushita by setting up a US plant to make a new generation of ultra-thin rechargeable batteries for use in new versions of ever-smaller mobile telephones and computers.

The plant is expected to produce batteries worth up to $50m a year from 2000, and is based on development by Alcatel of lithium-based battery techniques which has cost $200m since the early 1990s.

The factory, in Valdese, North Carolina, will be operated by Saft, the battery subsidiary of Alcatel, and should move into volume production next month. It will be one of the few in the world to turn out lithium-polymer batteries, developed around combinations of compounds based on lithium and plastics.

These pack more energy into a limited space than other, more conventional forms of rechargeable batteries. While lithium-polymer sales are currently negligible, output of other kinds of rechargeable batteries for use in consumer electronics equipment is estimated at about $5bn a year, compared with little more than zero a decade ago.

Jean Brunol, Saft's chief executive, said the company had discussed selling the new generations of batteries to make possible ultra-small handsets – which in the past decade have shrunk from clunky objects to devices the size of a palm.

Lithium-polymer devices have been under development in the past decade by the battery industry but have proved difficult to bring into production because of the complex chemistry involved.

Sony and Matsushita, two leaders in the consumer electronics industry, have recently both announced plans to produce lithium-polymer batteries, while a number of small US companies are also trying to commercialise the technology.

هكتاص الاصل

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Joining the dots on the map puts an Israeli stranglehold on the West Bank

Avi Machlis on the tactics of settlers to grab tracts of land before final status peace talks

From the hilltop he calls Mitzpe Hagit, Shimon Ben-Dor surveys the rolling brown Judean desert terrain below. It will only be a matter of time, he says, before this outpost of two wooden caravans, a water tank and an Israeli flag, is transformed into a thriving new Jewish settlement.

Four kilometres away across a winding road and broad valley, Kfar Adumim, the nearest settlement, is visible in the distance. Mr Ben-Dor, who represents no political group, toes the government line and says his settlement is legal because, technically, it is within Kfar Adumim's jurisdiction.

But as Mr Ben-Dor explains his motives, the reasons behind Israel's latest settlement drive that is angering Palestinians, irking the US and rapidly creating more non-negotiable West Bank territory become clear.

"It is very important that we stake a claim to as much land as possible in this area, where there are no Arab villages, and establish facts on the ground," says Mr Ben-Dor. "Eventually, I hope we can establish territorial contiguity with the nearby settlements."

Throughout the West Bank, Jewish settlers have been making good on a recent appeal by Ariel Sharon, Israel's foreign minister, to establish "facts on the ground" by "grabbing the hilltops". Since the Israeli-Palestinian Wye River accords were signed last October, caravan villages have sprouted on some 20 hilltop sites in the West Bank. Often, they are more than a kilometre from the nearest settlement. Unlike isolated Mitzpe Hagit, many are near Palestinian villages.

With Israeli elections scheduled for May 17, and increasing public opposition to funding settlements instead of infrastructure after a three year economic slowdown, the settlements are playing high in the campaign. Ehud Barak, prime ministerial candidate and leader of the One Israel coalition, is promising to dry up funding of settlements.

The Israelis who have come to these new colonies are second generation settlers, twenty-something children of the original Gush Emunim settlement movement. Like their parents, they champion the religious-nationalist ideology that believes all of the biblical Land of Israel, including the West Bank, is the birthright of the Jews.

By connecting new dots on the map with existing ones, Israel will have cordoned off tracts of land, greatly enlarging settlement enclaves surrounded by Palestinian-controlled areas. And the timing – before final status peace talks that may begin after the elections – is crucial.

"The settlers know occupied areas are much less negotiable," says Didi Remez, settlement watch co-ordinator for Peace Now, the leftwing Israeli movement.

Peace Now says the new settlement drive is the biggest since the early 1980s. At another 20 sites, it says, roads are being paved and hilltops razed, the telltale signs of another wave of settlements yet to come.

The settlers have nothing to hide. Aharon Domb, director of Yesha Council, the settlers' organisation, says more than 30 new sites – all within master plans and approved by the government – have been settled in the past two years. The strategy has been to build satellites as far as possible from the mother settlement, thus pre-empting the status of all land in between. "This has been our strategy for 30 years," says Mr Domb.

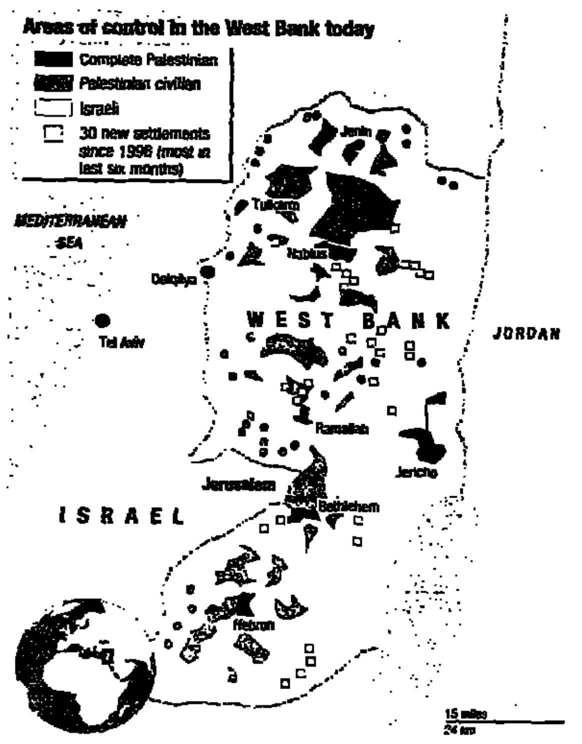
Yet Benjamin Netanyahu, Israeli prime minister, continues to claim the government is not building new settlements, but just allowing "natural growth" within existing settlements. "The municipal areas total 4 per cent of the West Bank," says David Bar Illan, senior media adviser to Mr Netanyahu. "So to say there will be nothing left to negotiate is slightly out of proportion."

According to Israel's Central Bureau of statistics, the settler population grew 7 per cent last year to 172,000 – slower than the 9 per cent settler increase in 1997 but much faster than the general population's growth of 2.3 per cent. However, a close look at the new sites throws the government's "natural growth" claim into doubt.

At nearby Mitzpe Danny, for example, an "extention" of the Ma'ale Michmash settlement, 12 caravans have been placed on a hilltop 700 metres from the main settlement. A road, several barren hills, and two patches of flat land separate Michmash from its new satellite. "There has been a leap of sorts," admits one Mitzpe Danny settler. "Through natural growth we may have only reached this hill 20 years from now."

The US is getting increasingly frustrated, especially as it has worked hard to convince Yassir Arafat, Palestinian Authority president, to refrain from unilaterally declaring statehood on May 4. "We have been repeatedly promised by the Israeli government at all levels that they were not going to take unilateral actions that would undermine final status negotiations," said a US diplomat. But the US is reluctant to confront Israel less than a month before elections. So are the Palestinians.

Saeb Erekat, chief Palestinian peace negotiator, warns that Israel's settlement activities are "creating a pressure-cooker situation" that may soon get out of control. But with little Palestinian opposition in the streets so far, Israel's high-stakes game of connect-the-dots is likely to continue.



World Bank 'might need more capital'

By Robert Chote in Washington

James Wolfensohn, World Bank president, told finance and development ministers yesterday that they may have to provide more capital for the development institution if they want it to continue making big loans in the event of further financial crises.

Mr Wolfensohn told a "development committee" that the Bank and its private sector arm, the International Finance Corporation (IFC) were currently well capitalised. "It is simply prudent, in view of the potential that financial demands remain heavy, to plan for the years ahead," he told them.

A panel of experts has recently reviewed the Bank's capital position and concluded that it can muddle through unless called upon to help the International Monetary Fund with liquidity support for future crisis victims. But if it is to play this role, then shareholders will either have to stump up more capital or accept that the Bank will have less net income to devote to poor country debt relief and other deserving causes.

"To ensure that the Bank is ready to deliver on its fundamental development mandate in whatever environment it faces – good times or bad – it must remain financially sound and resilient," Mr Wolfensohn said. He added the directors were determined to defend the Bank's triple A bond market rating.

Conscious of its political sensitivity, most leading industrial countries are reluctant to contemplate a capital increase for the Bank unless absolutely necessary. In the case of the US, this would require congressional approval. Peter Woicke, the head of the IFC, has been arguing that his arm of the World Bank does need a capital increase, noting that it is particularly important to foster private sector development in post-crisis situations. He noted that efforts to "bail in" private sector lenders in crisis resolution are complicated when shareholders put pressure on investing institutions to eliminate their exposure to problem areas.

The committee was expected to agree that the capital adequacy of the Bank and the IFC should be examined further in coming months, perhaps for a decision at this autumn's annual meeting.

The committee also discussed the code of good practice on social policy that the Bank has assembled from existing declarations by the United Nations and other bodies. Developing countries are concerned that this is another way to impose policy conditions on them, but industrial country officials said they were keen to emphasise that this was not the case. They took heart from the generally positive reaction to the social code from the Group of 24 developing countries.

Mr Wolfensohn also used the meeting to argue for his "comprehensive development framework," the big idea with which he hopes to define strategic direction of the Bank after its current reorganisation.

Use of wind energy set to reach milestone

By Vanessa Houlder in London

The use of wind energy is set to reach "an historic milestone" this month, according to the International Energy Agency, the Paris-based energy arm of the Organisation for Economic Co-operation and Development.

It predicts that worldwide wind energy capacity is about to reach 10,000MW, which is enough to supply the electricity needs of two cities the size of Madrid.

Wind energy has been the world's fastest-growing renewable energy source for four years running, according to the IEA which monitors world energy markets for industrialised countries.

Last year, worldwide equipment sales totalled more than $2bn, as 2,100MW of new capacity was installed.

The growth of wind energy has been driven by improved technology and supportive government policies. In several countries, governments have guaranteed a fixed price for wind-generated electricity in an effort to respond to environmental concerns about global warming and air quality.

The cost varies considerably but is getting close to that of conventional energy sources in many cases. Wind turbine prices have fallen by a factor of at least three from 1981 to 1991, according to the European Wind Energy Association, an industry body. The cost of the energy generated by turbines has halved over the past decade as a result of the fall in turbine prices, higher efficiencies and lower operation and maintenance costs.

European countries were largely responsible for the new capacity installed last year. Germany was in the lead with more than 800MW, Spain had 400MW and Denmark had 300MW. The US installed 150MW. Overall, five countries account for more than 80 per cent of the world's installed capacity, namely Germany, the US, Denmark, India and Spain.

In the US, 10,000MW are expected to be installed by 2010. In European Union countries, 40,000MW of additional wind capacity was expected to be installed by 2010, part of which is likely to come from offshore installations planned by Denmark and the Netherlands.

The European Wind Energy Association believes that Europe could generate 100,000MW of wind energy capacity by 2020, which could provide 10 per cent of European electricity needs.

NEWS DIGEST

PALESTINIAN STATE

Arafat postpones decision until after Israeli election

Yassir Arafat, president of the Palestinian Authority, last night decided not to declare an independent state until after Israel's general election on May 17.

Palestinian officials said Mr Arafat had no intention of playing into the hands of Benjamin Netanyahu, Israeli prime minister, who said he would scupper the peace process and retake Palestinian-controlled areas of the West Bank if a unilateral declaration was made.

Addressing the 124-member central council of the Palestine Liberation Organisation in Gaza, which endorsed his decision, Mr Arafat said he had received assurances that after the elections President Bill Clinton would revive the peace process. Washington has opposed any unilateral declaration. In addition, PLO officials said Mr Clinton had this week sent Mr Arafat a letter pledging support for "the Palestinian people's aspirations to determine their own future on their own land" as an incentive to defer a proclamation of statehood. It fell short of last month's European Union declaration which said Palestinians had an "undeclared right to self-determination including the option of a state" with no Israeli veto. **Judy Dempsey, Jerusalem**
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COMMONWEALTH

Nigeria to be readmitted

Commonwealth ministers begin a special meeting in London today which is almost certain to recommend that Nigeria's three-year suspension be ended. Nigeria's membership of the 54-nation grouping of mainly former British colonies was frozen in 1995 after it executed nine minority rights activists. But the populous West African nation has come in from the cold after holding presidential elections in February to end 15 years of military rule. President-elect General Olusegun Obasanjo is due to take power on May 29.

The decision on Nigeria's future will be taken by the eight-nation Commonwealth Ministerial Action Group (CMAG), set up to probe abuses in members with military regimes.

"CMAG is likely to take stock of things in Nigeria and then request that Secretary-General Chief Emeka Anyaoku send a letter asking Commonwealth governments to lift the suspension and to make it effective by May 29," said a Commonwealth official. CMAG has kept up consistent if light pressure on Nigeria since 1995, agreeing a limited package of sanctions and refusing to contemplate any talk of ending the suspension until Abuja agreed to ending military rule.

Deep divisions between African and non-African CMAG members meant the sanctions were never imposed but diplomats said the group had nevertheless had some effect. "Our assessment is that CMAG has been a good forum and a good way of pressuring Nigeria. I think that at the end it bothered Nigeria not to be part of the Commonwealth," said a diplomat from one CMAG nation.
Reuters, London

Warning over big majority for ANC

By Victor Mallet in Johannesburg

South Africa would become "another Zimbabwe" after the June 2 general election if the ruling African National Congress won more than two thirds of the vote, Marthinus van Schalkwyk, leader of the opposition New National party, said yesterday.

He told foreign correspondents that a two thirds majority would allow the ANC to change the section of the constitution protecting property rights. The ANC could also bring the independent central bank under political control, increase the powers of central government at the expense of the provinces and tamper with the appointments of watchdogs such as the auditor-general.

Opinion polls show that the ANC, which won the first democratic election in 1994 with 63 per cent of the vote, could increase its share to 67 per cent this year. Most ANC leaders say they do not want to change the constitution, although some of the party's leftwing members, as well as its communist and trade union allies, favour amendments.

South African opposition parties often point to neighbouring Zimbabwe, ruled by Robert Mugabe and his Zanu-PF as a *de facto* one-party state, as an example of everything that can go wrong in domestic politics. Zimbabwe's constitution has been amended more than a dozen times since independence, to the benefit of Zanu.

Other opposition parties are also stepping up their attacks on the ANC as the election campaign gathers speed. United Democratic Movement supporters all but drowned out an address by President Nelson Mandela in Umtata in Eastern Cape earlier this week.

AUTONOMY REFERENDUM GOVERNOR AND MILITARY COMMANDER SAY THEY FEAR CIVIL WAR ON EAST TIMOR

E Timor officials critical of vote

By Sander Thoenes in Dili

One day after Indonesia's President B.J. Habibie pledged to let the East Timorese choose between independence or autonomy in August, both his local governor and military commander yesterday put the vote in doubt by saying they would rather not have one at all.

Governor Abilio Soares and Colonel Tono Suratman of East Timor told Derek Fatchett, Britain's visiting minister of state for foreign affairs, that a plebiscite could spark civil war in East Timor, a former Portuguese colony invaded by Indonesia in 1975 after Lisbon abandoned it.

They said they favoured direct implementation of Indonesia's autonomy proposal rather than a referendum, scheduled for August 8, announced by by Mr Habibie after a meeting with John Howard, Australian prime minister, in Bali the day before.

While Mr Soares and Mr Suratman said they would obey orders from Jakarta if a United Nations-brokered agreement was signed as planned on May 5, and the commander said he would start disarming paramilitary groups "within weeks", their public display of displeasure with the accord suggested they might be less than active in implementing it.

The UN document, agreed between Indonesia and Portugal, will see an international police force, in which Australia will play a significant part, sent to East Timor next month as advisers, but not as peacekeepers.

Mr Soares and Mr Suratman have publicly supported paramilitary groups, whose leaders told Mr Fatchett they rejected the referendum and would never disarm, as required under the accord. "Why can't the autonomy package be implemented directly?" asked Joao Estefan Soares, spokesman for the militia. "Most East Timorese are illiterate and politically immature, and most of us are living under intimidation. How can the East Timorese decide their own future?"

Mr Fatchett said: "We understand the difference between an agreement signed in New York and life on the ground. The armed forces have to act according to that agreement in a neutral and impartial way."

At a clinic in Dili, where nurses were struggling to care for badly maimed victims of a recent attack by pro-Indonesian militia, Mr Fatchett said he was shocked by the "atrocious injuries" but even more so by reports that the militia had threatened to drop by and "finish their work".

The British minister said: "One test for the police and armed forces here in East Timor is that they make it impossible for the militia to finish their work. Why has nobody been arrested?"

Murdoch University Asia Centre director Richard Robison said: "The militias are apparently planning some more big demonstrations and there will certainly be violence out of this, so we'll see the stance that the Indonesian military takes.

"The worry of course is that the situation becomes just too unstable to have a referendum or that the militia, backed by the military, just conduct such a reign of terror that they get the majority in the vote, which they could do."

Diplomats had some optimism, however. They pointed out that the military stand weaker in facing both the international community and at least part of their own government.

"It's the first time that we and the Indonesian government are working together on East Timor," said Robin Christopher, the British ambassador in Indonesia. "That's a watershed."

Beijing pulls out of Apec meeting

By Terry Hall in Wellington and Mure Dickie in Taipei

China has pulled out of a meeting of senior officials of the Asia Pacific Economic Co-operation (Apec) group after arch-rival Taiwan changed the minister in charge of its delegation.

The pull-out was the latest demonstration of a deep-seated distrust between Beijing and Taipei that turns routine meetings attended by their Communist and Nationalist governments into diplomatic minefields.

Max Bradford, New Zealand trade and enterprise minister, said the move was prompted by difficulties between China and Taiwan, which takes part in Apec meetings under the name "Chinese Taipei". China considers Taiwan a renegade province and has long tried to isolate it diplomatically.

"While we would much preferred them to remain, [China's delegates] decided they could not sit at the same table as Chinese Taipei," Mr Bradford said.

Maarten Wevers, New Zealand foreign affairs representative at the meeting in Christchurch, said the minister scheduled to lead Taiwan's delegation had been unable to attend and China was unhappy with his replacement, Yang Shih-chien, minister without portfolio.

Taiwanese officials said it was up to Beijing to explain its actions but said that, while disputes were more common at other international forums attended by the two sides, Apec encounters were usually relatively tranquil.

Taipei has long tried to test the diplomatic boundaries erected around it by China by wooing impoverished nations for recognition and by pushing for membership of bodies that would confer international legitimacy on the newly democratic island's government.

One possible reason for the strong Chinese reaction to the last-minute appointment of Mr Yang as the Taiwanese delegation's leader is if Beijing saw it as a move to increase the standing of the group by sending a more senior minister. Taiwanese ministers without portfolio are generally listed above other ministers in government lists.

Mr Wevers said the Chinese delegation, led by State Economic and Trade Commission chairman, Zheng Silin, had not "gone into great detail" about the decision to withdraw the seven-member delegation. A Chinese business delegation had remained at the talks.

Paradoxically, the subject of the Apec meeting was Small and Medium Enterprises – an area in which Taiwan has undoubted expertise and is often held up as a regional model.

HK lowers China influx estimate

By Rahul Jacob in Hong Kong

The Hong Kong government said yesterday it estimated that 1.7m mainland Chinese were eligible to claim residence in the territory.

In January, Hong Kong's Court of Final Appeal ruled that all children of Hong Kong residents were eligible to the right of abode in Hong Kong, including illegitimate children and children born before their parents became permanent residents.

The court overturned immigration controls rushed through the local legislature soon after the UK handed its colony back to China in July 1997.

Estimates of the numbers of mainland Chinese who might qualify under the new ruling went as high as 3m – sparking fears that Hong Kong would be overwhelmed by the influx.

Regina Ip, the secretary for security, said yesterday that the number of legal immigrants allowed in to the former colony on a daily basis would increase from the current 150 to 1,000.

She warned that this would place a heavy burden on the city's schools and social security system as well as the ability to create enough jobs for the new entrants.

Legislators claimed that the government was being alarmist.

"If it is unjust to deny one person their rights, it is much worse to deny hundreds of thousands their rights," said Margaret Ng, a local legislator.

Nauru president forced to step down

By Gwen Robinson

It was the best and worst of weeks in the tiny Pacific island republic of Nauru. Just days before the long-waited entry to Commonwealth full membership by Nauru, whose wealth is based on fossilised bird droppings, its president was toppled in a no-confidence vote.

As one of the richest developing countries, with by far the highest per capita income among Pacific islands, Nauru has attracted foreign interest for its relaxed tax regime and its once-thriving exports of phosphate rock.

But Bernard Dowiyogo was dumped on Tuesday and Rene Harris elected president by the island's parliament by a "comfortable majority", a spokesman said yesterday. The political upheavals have not derailed Nauru's entry to the Commonwealth on May 1, as the 53rd member of the group. Nauru joined the Commonwealth as a special member on independence in 1968, after joint administration by Australia, the UK and New Zealand under a post-first world war trusteeship. It had been a German colony.

Mr Harris, a former chairman of the government's Nauru Phosphate Corporation, is an influential figure in the island republic. Phosphate rock, a legacy of thousands of years of fossilised bird droppings, has been its only export. Phosphate exports have provided Nauru with one of the highest per capita revenues in the developing world. Gross domestic product per capita is around A$6,000 (US$3,900) a year, compared with less than A$1,000 in the nearby Solomon Islands. But Mr Harris inherits some deep-rooted problems, including steady destruction of the island's phosphate resources by indiscriminate strip-mining.

Two decades ago, the island boasted one of the highest average incomes in the world. But a series of failed investments brought on a cash crisis, exacerbated by a fall in phosphate prices. The rapid depletion of phosphate resources has left the island with few viable alternative sources of income.

Mr Dowiyogo, then president, said his government was developing a secondary mining process to prepare for the time when primary phosphate resources ran out. The process involved sucking stalagmite-like towers of coral out of the ground to reach deeper phosphate resources – "just like pulling teeth", he said at the time. Mr Harris, with his phosphate expertise, may be the man to tackle the problem.

Followers of Fa Lun Gong practise a breathing exercise in Beijing Reuters

Emergence of cults sounds alarm among China's leaders

James Kynge finds religions and martial arts groups are offering alternatives to the supposedly all-powerful Communist party

The middle-aged woman with a bag of steamed dumplings at her feet hardly seemed threatening.

Shadows of sadness and resignation crossed her face as she explained how the loss of her job, the departure of her children from home and a bout of illness had left her with a sense of hopelessness.

She had turned in her distress to the teachings of a mystic cult, the Fa Lun Da Fa ("Law Wheel Big Way"), and it had become her life.

"It teaches us that the best thing in life is to be good to other people and they will be good to you. Also, the exercises that we do are great," added the woman, Fang Lin, suddenly animated. "They cure all illnesses, even cancer. If you practise Fa Lun, all your health bills will vanish."

To many people, Mrs Fang's story may appear a cause for pity, but to China's Communist authorities it illustrates a dilemma of increasingly critical importance. It is not that her experiences are rare. On the contrary, the hoplessness that prompted her quest for spiritual succour has become commonplace in a society where the old certainties of socialist welfare – the lifetime employment and the ideology – are rapidly crumbling.

This week the ideological atrophy of China's Communist body politic ceased to be a matter primarily for social scientists, and seized the minds of Beijing's top leaders.

A demonstration by more than 10,000 adherents of the Falun cult around Zhongnanhai, the red-walled leadership compound in central Beijing, has thrown into sharp relief the threat posed to China's political system by a nationwide proliferation of cults, secret societies and proselytising religions.

Underground catholic and protestant churches claim tens of millions of believers. Martial arts groups, many promising to impart supernatural abilities, are mushrooming all over the country. And in rural Shaanxi province, a former Communist party cadre runs one of many temples in China dedicated to the worship of Mao Zedong.

In all, more than one in 10 Chinese, or more than 100m people – double the Communist party's membership – now practise some form of religious belief, said an official from the state council's religious affairs bureau.

"Everyone knows that Communism is dying as an ideology and that other beliefs are taking its place," said one professor of social sciences at a government think-tank. "But the problem comes when the other faiths begin to organise themselves

No organisation is supposed to exist independently of Communist party

into big, powerful groups. That is what the leaders are afraid of, and that is what happened with the Fa Lun."

The audacity of the demonstration last Sunday lay not just in the fact that thousands of people, many of them elderly men and women from the countryside, managed virtually to surround the most heavily guarded compound in all China and stay there all day. It was also that the Fa Lun felt confident enough to demand official recognition as a group.

No organisation in China is supposed to exist independently of the Communist party. Several registered "democratic parties" swear allegiance to China's leadership. All but a tiny handful of registered "non-governmental organisations" are affiliated to a government body and all sanctioned religions are classified as "patriotic", meaning that they respect Communist authorities as the arbiter of their actions.

Cult leader Li Hongzhi: doom

But the size of some sects such as Fa Lun, which claims, unrealistically, 100m members worldwide and probably has nearer 15m in China, shows that reality has advanced far beyond the boundaries of official edicts. The frenetic government activity triggered by the Fa Lun protest shows just how serious China's top leadership is taking the issue.

Official sources said yesterday that an emergency meeting involving all of China's top leaders was convened on Sunday in Zhongnanhai as the Fa Lun followers sat quietly on the pavements outside, some in meditation and some – like Mrs Fang – eating dumplings.

Confidential orders have been issued to the heads of each government work unit to warn officials not to join or sympathise with such demonstrations, officials said yesterday.

In public, the reaction was initially mild but grew significantly tougher yesterday. "This kind of gathering affects public order and people's normal life around the headquarters of the Communist arty Cental Committee and the State Council and is completely wrong," the official Xinhua news agency said.

It also warned that those who damage social stability under the "pretext of practising martial arts will be dealt with in accordance with the law". The level of official concern is justified not only by the minute – and secret – planning that Fa Lun must have engaged in to pull off their demonstration. It is also warranted by the examples of history.

The Taiping rebellion of the mid-19th century, which was led by a man claiming to be the brother of Jesus, nearly brought down the Manchu dynasty in a war that claimed millions of lives.

Fa Lun is resolutely peaceful in philosophy but its leader, Li Hongzhi, who lives in the US, claims to be a demi-god more holy than Jesus. He predicts doom for mankind unless it corrects its evil ways – which include homosexuality, rock and roll and drugs.

Exxon to quit talks on Vietnam oil exploration

By Jonathan Birchall in Hanoi

Exxon, the US energy company, said yesterday it was to withdraw from talks with Vietnam on oil exploration off the country's southern coast, in another significant blow to Hanoi's offshore hydrocarbon development plans.

Exxon is the latest in a long line of foreign oil companies to pull out of offshore exploration in Vietnam, after initial optimism about the potential. Since 1992 the number of foreign licence holders has dropped from more than 20 to just 12.

An Exxon official in Hanoi, citing commercial reasons, said the company was to withdraw its interest in exploring two blocks in the Cuu Long Basin adjacent to the mouths of the Mekong River, after negotiations lasting more than three years. The company is also closing its office in Hanoi.

The withdrawal follows state-owned PetroVietnam's decision to abandon traditional production sharing contracts with the foreign consortia which had earlier been selected to develop the two blocks. Instead, PetroVietnam has been seeking to form joint venture operating companies in which it would hold a 50 per cent share, a formula that has proved deeply unpopular with foreign oil companies.

Exxon is abandoning a 30 per cent share in Block 16-02, in which Mobil holds the remaining foreign share of 20 per cent, and a 10 per cent share in Block 16-01, in which the American independents SOCO and OPECO hold 30 per cent and 10 per cent respectively.

PetroVietnam has been trying to negotiate similar deals for two adjacent blocks: 09-01, where Russia's Zarubezhneft is the main foreign partner, and 09-02, in which Mobil holds the majority foreign stake.

Industry sources say Exxon's withdrawal, ahead of the proposed merger with Mobil, raises doubts about Mobil's continued commitment to further exploration work in Vietnam. Any withdrawal by Mobil would be symbolic as the company pioneered oil exploration during the Vietnam war but was forced to abandon what is now Vietnam's biggest field – now known as Bach Ho – when the conflict ended in 1975.

The four oil blocks have been regarded as the main focus of PetroVietnam's efforts to promote further offshore exploration efforts.

The Cuu Long basin is already the site of Vietnam's main 200,000 bpd Bach Ho and Rong oilfields, operated since the 1980s by the Viet-Sovpetro joint venture, and the 45,000 bpd Rang Dong field, operated by a joint venture with Mitsubishi Oil, which began producing last year.

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BMW INVESTMENT COMMISSIONER CONCERNED OVER USE OF COMPETITION RULES

EU questions are raised about Rover aid

By Peter Norman in Brussels

The European Union's competition commissioner yesterday cast doubt over whether BMW, the German car manufacturer, properly followed EU competition rules when winning the promise of UK state aid for investment in its Rover offshoot.

Karel Van Miert's doubts, if verified, could jeopardise EU approval for the aid and threaten Rover's car factory in central England and up to 50,000 jobs in the area.

He said the commission wanted to know whether BMW had planned investment in Hungary as an alternative to its plant in England when it obtained the promise of aid from the UK government. The aid, thought to total about £150m ($241.5m), was crucial to BMW deciding to invest £1.7bn in the English plant.

Mr Van Miert explained that aid rules for the car industry specified government funds could be given only to compensate a location for a disadvantage against a rival site. In the Rover case there were reports that BMW would invest in Hungary, but the commission had since heard from the Hungarian authorities that they had received no official proposals. "There seems to be some doubt," he said. "It is up to BMW to prove that they made a firm offer to Hungary."

BMW should give any evidence to the UK authorities so they could convince the Commission the aid was justified.

In March Joachim Milberg, BMW chairman, said at BMW's annual press conference: "The longer the negotiations drag on, the greater will become the likelihood of a production site outside of Great Britain."

Mr Van Miert disclosed yesterday that he had discussed the issue with the UK government in London on Monday. He hoped the UK government would formally notify the Commission about its aid decision soon so that the Brussels competition authorities could move quickly to study it. However, he said the case would be decided by the next Commission rather than the present acting executive.

Rover Group and BMW said last night they were "confident" the deal would be seen "fully to conform with EU competition policy". The agreement with the UK government is in principle and final details of the project are being assessed by the government and BMW's board. The companies indicated last night it would be several weeks before the package was likely to be passed to the Commission.

They said their investigations into a Hungarian alternative to the English investment were sufficiently extensive to comply with EU rules.

It remained unclear last night whether Mr Van Miert was acting under his own initiative or responding to a complaint from another manufacturer.

Porsche's chairman, Wendelin Wiedeking, said at the Geneva motor show that Porsche planned to protest against the aid.

Thatcher's heir struggles to re-brand the party

No-one can be sure what William Hague, the Conservative opposition leader, stands for, **Robert Peston** writes

William Hague, Conservative leader, has re-branded his party and ditched its old product. His new policy framework, unveiled to hoots of derision from the government and groans of despair from his own backbenchers, amounts to a declaration that Thatcherism is dead.

Mr Hague has dropped the Thatcherite principle that the welfare state can be remodelled according to free market principles. But the concept of "Hagueism" – what he and his party now represent – remains elusive.

The party, in power for 18 years until ejected by Tony Blair's Labour party two years ago, is redolent of a once-great industrial company on the brink of bankruptcy and in the process of painful reconstruction.

McKinsey has been hired, in the form of two alumni of the consulting firm, Archie Norman, the deputy chairman of the party, and Mr Hague himself. They have cut the workforce, centralised management and information systems and have streamlined the production and distribution processes.

There is only one remaining problem, expressed laconically by a senior member of the top team: "Nobody wants to buy the product that is rolling off the production line." And the Conservatives recently bungled their most important product relaunch.

The marketing calamity began 10 days ago, when the party's central office briefed a handful of newspapers that Peter Lilley, deputy leader, was on the point of redefining the party's ideology. The Lilley doctrine was that the time had come to abandon Thatcherism as the main Conservative brand.

Mr Lilley was to make a substantial speech saying there was no place for the free market or privatisation in the future of the welfare state. In particular, state education and health would be "completely safe" in Conservative hands and would continue to be funded largely through general taxation.

Like all the best corporate rebranding exercises, it was founded on market research. "What all opinion polls and focus groups show is that the reason we are unelectable is that people have no confidence in our ability to run education and health," said a member of Mr Hague's team. "They believe we are obsessed with selling off schools and hospitals."

In fact, it was probably only a clique of arch-Thatcherites who believe universal state-funded health and education provision could be privatised and replaced by insurance-based provision. But they have always made the most noise – and Labour has delighted in publicising their more radical views.

Even before Mr Lilley made his speech, he and Mr Hague faced criticism from senior members of the shadow cabinet who continue to believe there are private sector solutions to financing and management challenges faced by hospitals and in pension provision.

Mr Lilley, therefore, redrafted important sections of the speech, to tone down the impression that private finance was now anathema. However the core message was retained; that Conservatives had been reconverted to the merits of the welfare state.

And there the story might have ended, except that Mr Hague had approved a decision for Mr Lilley to give the new statement of post-Thatcherite principle on the day the party's grandees – including Mr Hague – were gathering at the London Hilton hotel to celebrate the 20th anniversary of Lady Thatcher's epoch-changing 1979 general election victory.

While she was reminiscing about her achievements, Mr Lilley was telling a much smaller audience elsewhere in London that schools and hospitals were not amenable to privatisation as a matter of economic principle.

"To be frank, she felt snubbed," said one of her friends. "It was grotesquely rude of Hague."

But it was not just her legacy that was being besmirched. According to this colleague of hers, she still believed, again as a matter of principle, that "it was not desirable to squander the nation's wealth on public services".

She is not alone. A generation of Conservatives from right and left, many of whom were in government in the 1980s and early 1990s, have attacked Mr Hague for abandoning principle in favour of populism. Critics have included Michael Portillo, Lady Thatcher's former defence minister, who would be a threat to Mr Hague's grip on the party leadership if he ever regained a seat in parliament.

But Mr Hague is unrepentant. "We have got it up in lights that we care about the welfare state," said one of his officials. "That is all that matters."

Rise and fall: from Heath to Hague

William Hague (left), Baroness Thatcher and Sir Edward Heath commemorate the Conservative election victory of 1979

- 1974 Conservative party led by Edward Heath defeated in national elections; Labour party under Harold Wilson takes over
- 1978 Winter of discontent: Labour government wrestles ineffectually with season of strikes in public services
- 1979 Conservatives led by Margaret Thatcher sweep back to power in national elections
- 1983 Thatcher wins again, this time against Labour party led by Michael Foot
- 1984-86 Trade unions defeated in big disputes in coalmines and at Rupert Murdoch's new newspaper plant in Wapping district of London
- 1987 Thatcher's third election victory, this time with Neil Kinnock as Labour leader. He later became a European Commissioner
- 1990 John Major succeeds Thatcher as Conservative leader
- 1992 Conservatives win national elections with reduced majority
- 1994 Tony Blair becomes Labour leader
- 1995 Major survives challenge to his leadership of the party despite bitter public disputes about approach to European Union
- 1995-96 Conservative party dogged by "sleaze" allegations which lead to resignation of numerous ministers
- 1997 Conservatives suffer crushing defeat in national elections and are left with no MPs in Scotland or in many of their traditional English heartlands; William Hague succeeds Major

Beleaguered leader appeals to angry MPs for unity

William Hague, the Conservative leader, last night told angry rightwing Conservative MPs he had not turned his back on the legacy of Margaret Thatcher, as he sought to quell the party's dispute over public spending, **George Parker and Rosemary Bennett** write. Many MPs remain angered by the way in which the party leadership announced it believed the vast majority of health, education and welfare spending should continue to be paid by the taxpayer. The dispute has raised renewed questions about the survival prospects of Mr Hague, particularly if the party fares badly in imminent elections in municipal authorities and for the Scottish parliament and Welsh assembly.

In a sign of the seriousness of the situation, Mr Hague made an unscheduled appeal for unity at a meeting of a committee of Conservative MPs. He said there was no question of the party "abandoning Margaret Thatcher", and vowed the party would continue to turn to the free market for inspiration.

Speaking later at a fund-raising party in London, he said the Conservative party had already defeated the so-called British "economic disease" and now had to address quality of life issues. But senior Conservative admit that far from reassuring the public that the party had changed, the dispute had reminded people of its recent reputation for feuds.

Dutch stores may buy UK beef again

By John Murray Brown in Dublin

The first big export sale of UK beef in Europe since the "mad cow" ban could be made in the next few weeks. Albert Heijn, the Dutch supermarkets company, is expected to announce plans today to resume purchases from a Northern Ireland company.

Granville Meats said it was close to agreeing an export order with the Dutch retailer in what would be the most significant breakthrough for the UK beef industry since the ban was imposed in March 1996, following health concerns about the possible link between BSE, or "mad cow disease", and CJD in humans.

Albert Heijn, a subsidiary of Royal Ahold, one of the world's largest international food retailers, said it would issue a statement today. The company, which operates in 19 countries, was the main buyer of what it branded as "greenfield" beef from Northern Ireland. Since the ban, it has relied on domestic Dutch beef and Argentine imports.

Northern Ireland relied on export sales for 80 per cent of its beef production before the ban. It exported almost half the £411m ($661.7m) of finished beef mostly to European markets. Industry experts expect Albert Heijn will want to test consumer reaction to the plan.

Granville Meats now exports about 9 per cent of its total output or less than 10 tonnes a week, compared with 70 per cent of 120 tonnes before the ban. All its sales go to the price sensitive wholesale and caterers markets.

A deal with a large European retailer would be seen as a signal of restored consumer confidence, at a time when most European markets are focusing on domestic production. "A lot of what has happened since the ban is that European markets have become very nationalistic, riding behind their own product that will be hard to break down," said a Northern Ireland executive.

Last May, the European Union agreed a partial lifting of the ban, to allow exports from Northern Ireland of cattle certified to be free of BSE. Granville is the only company exporting though it admits to making losses on the business, in part due to sterling's strength.

Industry leaders expect a much better response from Northern Ireland processors if the go-ahead is given for the less restrictive "date based scheme," which limits exports to de-boned meat from cattle born after August 1 1996, the date when potentially contaminated animal feed was removed from farms and feed mills in the UK.

Chancellor upbeat on Scots economy

By Andrew Parker, Political Correspondent

Gordon Brown, chancellor of the exchequer, has insisted that the new Scottish parliament will be able to deliver higher economic growth for Scotland. His assertion contradicts recent academic reports that questioned whether the regional administration would have any beneficial impact on the Scottish economy.

But Mr Brown said in a Financial Times interview that Labour's pledge to provide 750,000 places in Scottish further and higher education by 2003 is "very important for business and for the possibility of a higher growth rate over time".

Labour will today publish a Scottish business manifesto that is intended to drive home the party's message that Scotland can only prosper as part of the UK. The manifesto promises a growth fund to tackle Scotland's low rate of business start-ups. The party also pledges to create 100,000 new businesses over the next decade.

Mr Brown claimed that the governing Labour party and the business community were forging a stronger relationship. The manifesto outlines a young entrepreneurs' forum made up of successful Scots who will act as mentors in schools and colleges.

Mr Brown did not accept that any constitutional change upset business confidence. "I would not equate stability with no change whatsoever. I would equate it with the right kind of change."

Meanwhile, Alex Salmond, Scottish National party leader, indicated that an independent Scotland would seek to use sterling while it sought to join the euro. Citing the Belgium-Luxembourg monetary union that persisted until the two countries joined the euro in January, Mr Salmond said it would be convenient for Scotland to remain part of the "sterling area" until becoming part of the euro zone.

However, Mr Brown said: "There is no sterling area." He said the Belgium-Luxembourg monetary union was a voluntary one, and added of the UK: "He [Mr Salmond] is only speaking for one part of it."

The SNP will tomorrow publish its long awaited policy document on independence. As well as insisting Scotland can meet the qualification criteria for joining the euro, the document will claim that municipal tax bills will have to rise by 40 per cent, or local authority services be cut back, because of inadequate central government support.

● The government is to launch a TV campaign urging people to vote in the Welsh Assembly election amid growing fears of widespread apathy and low turnout, **Juliet Jowit writes in Cardiff.** The 10-second advertisments urging people to "make your mark on Wales" will be screened throughout the day from Saturday to Wednesday, the last day before voting on May 6.

Six law firms to form 'alliance'

By Jean Eaglesham, Legal Correspondent

Cameron McKenna, one of the top 10 UK law firms, is to link-up with five continental European firms to create one of the biggest European legal services groups. The move, which takes effect in July, is the latest sign of the growing pressure for law firms to offer a global service.

The size of the new group, with 1,400 lawyers and a combined revenue of €250m ($265m), is not enough to propel it into the premier league of firms such as Baker & McKenzie and Clifford Chance, each of which individually has more lawyers.

But it will have a strong presence in Germany, one of the most important European markets – the German member of the group, due to be formed from the merger in July 1999 of two existing firms, will be one of the top five in that country. Cameron McKenna also claims to have "unrivalled coverage" in the expanding central and eastern European market, with offices in Warsaw, Budapest and Prague.

The new group, known as CMS, will operate as an alliance, with some pooling of funds. "It is part of our overall objective to make it a single firm," said Richard Taylor, the Cameron McKenna partner who will chair the CMS executive committee.

Peter Lönnquist, a partner at Tisell & Co, the Swedish member of the alliance, who is in charge of co-ordinating the new group, said: "If I cannot [achieve a merger] within three to five years, I do not think I will have done a very good job."

There are big obstacles to achieving such a merger, not the least the fact that the German member would face increased tax on its profits. There are also differences between the profitability of the firms, which come from Belgium, Denmark, Austria and Sweden, as well as Germany and the UK.

Critics question whether Cameron McKenna's ambition is outstripping its resources. Formed from a merger between two UK firms in 1997, its revenue was virtually static in its first merged year of trading. The profits generated by each equity partner are, at about £245,000, barely half those of Linklaters, which last year announced an alliance with four leading European firms.

Global brief, Page 10

Accountants lose fight over rules

By Jim Kelly in London

The government yesterday announced that a new independent self-regulatory regime for more than 200,000 accountants would be in place by next year having resisted pressure from the profession to trim the powers of outsiders.

Ian McCartney, trade minister, said the blueprint fulfilled the Labour government's election promise to "introduce a framework of independent regulation for the accountancy profession" after widespread criticism of the present system.

The overseeing of accountants has been an issue for more than half a decade following a string of audit failures in the early 1990s.

"I think it is a very important day for the profession – all the six professional bodies have worked together; there has been a reasonable meeting of minds with the minister which required movement on both sides," said Chris Swinson, president of the English Institute of Chartered Accountants.

The government published proposals at the end of last year based on plans from the six professional accountancy bodies under the leadership of Mr Swinson.

But the profession's proposals were made tougher by Mr McCartney – specifically by giving 60 per cent of seats on the key bodies to "lay" members. The profession lobbied hard to swing the proposals back to 50-50.

"At least 60 per cent of the membership of these new bodies will represent consumers and users of accountancy services," Mr McCartney said yesterday. But "fine details" remained and accountancy qualifications might not be a bar to lay membership.

Fears in the profession that 60 per cent lay membership might be mobilised to control the new structure appear to have been allayed. The emphasis is now on finding lay members from a broad spectrum.

Some sections of the profession also lobbied to leave the setting of ethical standards with the professional bodies. Others wanted ethics split – with auditing ethics placed under the Auditing Practices Board.

The minister rejected these overtures and there will be concern that the six bodies may have lost what many see as a significant role of any professional organisation – the right to set ethical standards.

NEWS DIGEST

GOVERNMENT BONDS

Gilt auction undersells for first time since 1995

An auction of British government bonds flopped yesterday. The first time since 1995 that a gilt sale has undersold. The Debt Management Office, which handles government sales of gilts, said the auction of £500m ($805m) of index-linked bonds was "not a triumph".

Index-linked bonds protect investors against inflation. However when inflation is falling and expected to continue to drop, the popularity of this type of bond wanes. One reason behind the disappointment was the sale yesterday of a 30-year £600m bond by British Telecommunications, which attracted investors who would normally buy gilts. "There was some switching out of index-linked and into the BT issue," said the DMO. Analysts said the price of the index-linked bonds were also high and investors were unwilling to commit themselves to a bond which they thought was overvalued. **Khozem Merchant, London**

Capital Markets, Page 24

COMPANY LAW

Code for businesses proposed

A code for businesses – written and updated by a new regulatory body and backed up by the courts – should be part of a new rule-setting regime for companies, according to a leading corporate professional body. The Institute of Chartered Secretaries and Administrators – which has more than 20,000 UK members, including company chairmen and secretaries – today puts forward a blueprint to assist the government's efforts to modernise antiquated company law.

In February, the company law review steering group published its first 200-page report and asked for ideas on how legislation could be kept up to date. In the past the law has tended to become dated because of lack of parliamentary time. **Jim Kelly, London**

FREE TELEPHONE CALLS

Siemens link to new service

Siemens looks likely to be involved in the first advertising-sponsored free telephone service in the UK. Freedom, a small, privately-owned telephone company, said yesterday it intended to launch the nationwide service, through which customers are offered free call time in exchange for listening to recorded advertisements, on June 1. Joshua Sales, Freedom managing director, said the service would have the capacity to handle up to 2m customers.

The service will be offered in conjunction with Energis, the partially privatised telecoms operator in which the National Grid has a majority stake and Siemens, the German electronics manufacturer. Both Energis and Siemens are investors in the new service. Yesterday BT confirmed that it intended to test a similar service to be called BT Freetime in two English districts in June. BT is working with the Swedish company GratisTel, which pioneered sponsored calls in Sweden. The idea has been taken up in a number of countries including Denmark, Italy, Norway and the US. **Alan Cane, London**

VODAFONE AIRTOUCH

Controversial HQ can be built

Vodafone, the UK's largest mobile telephone group, yesterday won planning permission to build a £120m ($193m) world headquarters for up to 3,400 staff near Newbury, 80km west of London. The new building, which would be ready by late 2001 or early 2002, will be the headquarters of Vodafone AirTouch, created by Vodafone's £38.5bn takeover of the US carrier, due to be completed later this year. The planned headquarters has provoked one of the fiercest controversies in the English countryside. It is on land not allocated for development. Vodafone has a desperate need to expand. Its 3,000 staff work in 57 offices in Newbury, the result of rapid growth since it began with 50 employees in one building in 1982. **Brian Groom, London**

MILLENNIUM LANDMARK

Work on river bridge launched

Construction of the Millennium Bridge across the river Thames in London, linking St Pauls Cathedral on the north bank to the new Tate Museum of Modern Art on the south, was launched yesterday by John Prescott, the deputy prime minister. The pedestrian bridge, which is costing £15.9m ($25.6m), should be completed by next April.

The Millennium Bridge is the first to cross the Thames in central London since the opening of Tower Bridge in 1894. Its design is a collaboration between the architect Sir Norman Foster, the sculptor Sir Anthony Caro and the engineer Chris Wise of Ove Arup. The bridge will be lit internally at night to form a "blade of light". The joint proposal won an architectural competition for the bridge sponsored by the Financial Times. **Antony Thorncroft, London**

Sir Norman Foster (left) and John Prescott at the bridge site PA

هكذا من الأصل

CINEMA

Dragged into the realms of higher kitsch

Martin Hoyle is left longing for the honest thrills of your average slasher-cum-paranormal schlocker

IN DREAMS
Neil Jordan

eXistenZ
David Cronenberg

AT FIRST SIGHT
Irwin Winkler

SOLOMON AND GAENOR
Paul Morrison

THE HONEST COURTESAN
Marshal Herskovitz

THE WATERBOY
Frank Coraci

Neil Jordan has always shown a penchant for the higher kitsch. A streak of picturesquely-repressed hysteria and the occasional dash of Celtic *féerie* are usually kept under control; but *In Dreams* gives the game away. Allowed its head, this complacently cliché-clogged tosh reveals nothing but stale ideas served up with lingeringly exquisite self-consciousness that leaves one longing for the honest thrills of your average slasher-cum-paranormal shlocker.

Nothing surpasses the film's haunting opening, when divers search a reservoir-flooded town, floating through its church, school and still-furnished houses. The child they seek is eventually found murdered. Meanwhile, reluctant psychic Annette Bening has her dreams invaded by tantalising glimpses of the murderer and his whereabouts. Sure enough, her own daughter is the next victim; and the conviction grows that the killer knows her, can penetrate her mind, and is challenging her to find him.

This is the old psycho-enters-your-head/sleep/eyes plot (or you enter his). Once this is established, the all too predictable going is agonisingly slow. There are echoes of everything from *Psycho* (yes, Robert Downey goes whooping over the top as his own mother; and no, this is giving nothing away – the weary audience is half an hour ahead of the film) to *The Eyes of Laura Mars*. Bening's all-screaming, all-flailing performance maintains an admirable level of intensity but makes the surrounding plod faintly risible, as when she effortlessly springs from an asylum window and causes a motorway pile-up in search of her dog. The lifeless supporting cast is led by numbingly uncharismatic Aidan Quinn sounding half asleep as her husband, an airline pilot whose presence at the controls would send me down the emergency chute faster than a courtesy cocktail. He finally becomes a running buffet for the missing pooch, lone survivor of this singularly expendable family.

The psycho survives too, last seen screeching at guilt-induced visions in the jail to which he has been consigned "until the state of Massachusetts deems it safe for you to walk our streets again" – the go-ahead for a sequel if ever I heard one. "I can live with that," the utter nutter mutters. I am not sure that I can.

★

Garnishing the nerdy with irony makes it no less nerdy. On the strength of *eXistenZ* David Cronenberg should be the director voted Most In Need to Get Out More. This nightmarish jumble is sparked off by the launch of a new virtual reality adventure, some time in the future when the designers of such games are society's idols. Fleeing an assassination attempt, game-inventor Allegra and junior company employee Ted Pikul (*sic*) plunge into a virtual adventure of *Alice*-like inconsequentiality-cum-tenuous logic.

Déjà vu: Robert Downey goes whooping over the top as his own mother in Neil Jordan's 'In Dreams'

The physical details are all in what might be termed a bio-techno-gunge rhapsody. Players gain access to the game by having control pods plugged into sockets in their spine. The film is alive with the sound of squelch, slurp and slap and Ian Holm talking Hungarian. The screen quivers with glistening slime, gore and the mucheted pieces of mutated lifeforms. The thought soon strikes the spectator that none of this matters very much precisely because the story represents a game and there are no laws to be flouted since all can change at the press of a button (in this case a nipple). It is even possible for the players, though not alas the audience, to have a breather back in the real world.

In the absence of tension, the element of tongue-in-cheek is detectable after 50 minutes, thanks mainly to Jude Law's wide-eyed, winsome wonderment.

He is not helped by Jennifer Jason Leigh, an actress whose performance fails to distinguish between dead-pan and merely dead. After 80 minutes a certain tension is established when it belatedly occurs to the main characters that they may be cut off from reality and trapped in the game. A twist ending perks the whole thing up, but not enough to stop one wondering why the film could not have ended at any point in the preceding 90 minutes; or indeed why it ever started.

★

Compared with these pretentious glossies, two embattled love stories stand out by their emotional straightforwardness. The happy ending comes with *At First Sight*, directed by Irwin Winkler from a true story by Oliver Sacks, the neurologist whose writings have inspired the film *Awakenings*, Harold Pinter's *A Kind of Alaska* and Michael Nyman's opera *The Man who Mistook His Wife for a Hat*.

At First Sight begins fascinatingly as the study of a life-long blind man, sight restored by an operation, who has to come to visual terms with a world for which he has only tactile and aural reference. Space, perspective and colour present obvious puzzles; identifying even those things he had been familiar with in his actively self-sufficient sightlessness. From a dog to a cheese-grater, he must relearn the physical world like a baby.

The film is also a tear-jerking love story, and might have been better without the romantic element. It works, just, thanks to intelligent direction and notably sympathetic playing: from Kelly McGillis, as the blind man's protective sister; Mira Sorvino's not quite pretty neurotic ordinariness as the business woman who falls for the young man, and Val Kilmer, beautifully accurate in the movements of the unsighted – and clumsier, more ungainly, when he has regained his vision, an alien in a new world.

★

In 1911 there was anti-Jewish violence in south Wales. *Solomon and Gaenor* is a lyrical, carefully-paced and often very beautiful evocation of doomed love during those times. Documentary-maker Paul Morrison's first feature is astonishingly assured and deserves its best film award at Verona. Visually there is a scrupulous period feel; and the lead performances from Nia Roberts, the mining community Juliet, and Ioan Gruffudd, the Jewish Romeo, are sensitively judged. The latter especially is no heart-throb flash in the television pan (*Hornblower*, *Great Expectations*) but a genuine filmic talent; one of those faces whom the camera loves.

If the camera loves Gruffudd's face it merely flashes from a dirty mac at poor Catherine McCormack's in *The Honest Courtesan*. With her square jawed, faintly beefy, essentially 20th-century features (not to mention Edward Heath diphthongs), McCormack is nobody's idea of a Renaissance Venetian. Nor, it must be said, a poet. The historical Veronica Franco's writings provided a treat for students of Italian literature in my student days: a high-class prostitute who numbered famous artists and visiting potentates among her clients, she was a considerable bard whose sexual metaphors confirm that she enjoyed her work and was good at it. Marshall Herskovitz's comically cack-handed film actually quotes – anachronistically – John Donne but is otherwise short on finesse; though our heroine's dimpled ability to get the king of France to cough up naval military aid suggests a biological variant on the "face that launched a thousand ships" line. This is a cheerful companion to Lana Turner's Diane de Poitiers swaying through châteaux on the Loire, to Martine Carol's Lucrezia Borgia taking a hot bath in a barrel, and may be similarly confined to the archives of historical cine-lunacy.

The Waterboy, a smash hit in America, may be unintelligible to Britons. It tells of a geeky worm turning in the world of college football. The geek is played by Adam Sandler with a lisp, stammer, squeaky voice and jaw-jutting grimace, who for articulate comic intelligence makes Jerry Lewis look like Stephen Fry. But then the film, complete with a miscast Kathy Bates barbecueing alligators, makes *Police Academy 5* look like *An Ideal Husband*.

MUSIC STRAUSS

Ariadne: the real thing

Richard Hickox and his City of London Sinfonia have been marking the 50th anniversary of Richard Strauss's death with a delightfully off-the-wall series. It began two weeks ago with a rare revival of Strauss's re-write of Mozart's *Idomeneo*; then they went on to programme the *Metamorphosen* with Beethoven's "Eroica", which inspired it, and – because of the title – Haydn's cantata *Arianna a Naxos* too.

This week they concluded with the pristine, un-bastardised music of Strauss's bastardised entertainment *Ariadne auf Naxos*, which he and Hofmannsthal devised as a thank-you for producer Max Reinhardt after he'd rescued the premiere of *Rosenkavalier*. Hofmannsthal shortened Molière's *Le bourgeois gentilhomme* so that he and Strauss could add their own witty *Ariadne* squib on "opera seria" *v.* "commedia dell'arte", and titivate the spoken acts with mock-Baroque songs and dances.

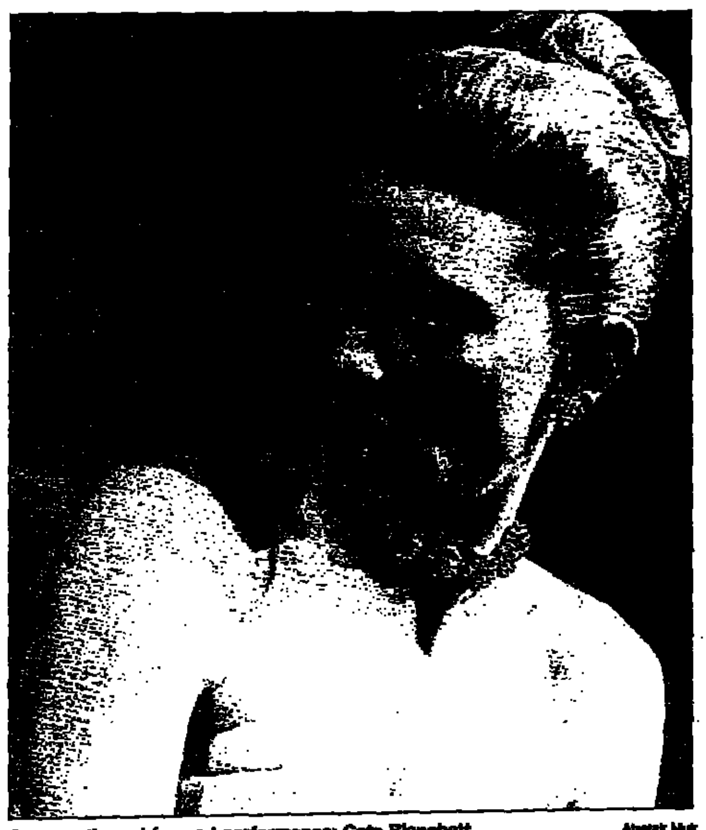
The result, as the Edinburgh Festival reminded us in 1997, was an extravagantly rich show, though awkwardly long – and expensive to stage with two separate troupes, actors and singers. Its authors soon decided to re-do it as a straight two-act opera, and in that more practicable form it has held the boards ever since. Yet some of us think that the first, impractical draft is still the real thing, despite the attractions of the new first act.

Hickox's concert-version at the Barbican had Nigel Douglas as M. Jourdain, the overweening *gentilhomme*, narrate all the pre-"Ariadne I" action. He changed Jourdain's invincible innocence into something arch and class-conscious. That first half missed fire, because the little dances want a touch of sly mischief that Hickox didn't give them.

When we reached the "opera", however, Hickox and his cast came up trumps. Christine Brewer sang a grand, dignified Ariadne, and Adrian Thompson made a fresh, youthful Bacchus – not the customary bellowing tenor. Cyndia Sieden's lovely soprano coped nobly with Zerbinetta's original coloratura *scena*, even longer and higher than the more familiar version, though her pure sound missed Zerbinetta's sexy knowingness.

The quartet of comedians was fine, notably Roderick Williams' Harlekin and Richard Coxon's Brighella. In the circumstances it was natural that they should try a bit of miming and dancing, but it was too half-hearted to work. A lustier piano in the orchestra would have helped. Musically, nevertheless, "Ariadne I" made its points; and *what* a relief to have the wry original ending (back to M. Jourdain, wondering where his guests have gone) instead of heroic caterwauling!

David Murray



A magnetic and fevered performance: Cate Blanchett Alastair Muir

Driven mad by symbolic status

THEATRE

SARAH HEMMING

Plenty
Albery Theatre, London WC2

David Hare himself has described *Plenty*, written in 1977, as a young man's play, and so it comes over in this revival, with all the qualities and flaws that that implies. It is clearly written from the heart, it is passionate, ironic and wonderful in its ambitiousness; it also contains some heavily portentous lines and a couple of clunkily unbelievable scenes.

Hare seeks to frame the collapse of postwar ideals in the personal disintegration of one woman, the upper-middle-class Susan – given a magnetic and fevered performance by Cate Blanchett – who worked for the Resistance during the war and can never settle afterwards to a life of compromise.

Hare takes his courageous, vulnerable heroine and, almost like a scientific experiment, places her among the postwar British and watches what happens. Through a series of snapshot scenes from 1943 to 1962, we see her driven *progressively closer to madness* by the hypocritical diplomatic circles she inhabits.

This episodic structure could be a drawback, but Jonathan Kent's exquisitely mounted production makes a virtue of it. Maria Björnson's set uses sliding walls that

Hare seeks to frame the collapse of postwar ideals in the disintegration of one woman

open and close like a camera shutter to reveal beautifully realised interiors.

Cate Blanchett, as Susan, is riveting to watch. Blanchett has a magnetic, graceful stage presence. She looks fantastic, particularly in the 1940s suits, with her chiselled cheekbones and coltish limbs, and although she sounds impeccably English, there is also a foreigness about her which suits the character well.

There are crucial problems, though, to both the character and Blanchett's performance. Susan is *an outsider, a member of that* honourable list that includes *Hamlet and Hedda Gabler*. But because of the structure of the play we nearly always see her in a state of extremis. Indeed, Susan's symbolic status is so pronounced that she strikes me as an idea more than a believable, breathing person.

Blanchett's bold response to this is to play her in a state of permanent hysteria. Her performance is so raw she might have ripped off a layer of skin, and when her rage about Suez boils over she is – rightly – unbearable to watch. The trouble is that she starts in this vein early rather than progressing into it, so that she is soon over-the-top and has nowhere else to go. She might have introduced more sympathy to the character by sometimes playing her part quietly.

Ironically, Hare's portrayal of the surrounding characters is more believable. There is Susan's long-suffering, mediocre diplomatic husband, (the excellent Julian Wadham), and her Bohemian friend Alice, who muddles through stoically (wonderfully played by Debra Gillett). The circumspect ambassador who crumples after Suez is wittily drawn and superbly played by Richard Johnson, and the contortions of diplomatic discussion are splendidly delivered. The excruciating dinner party at the time of the Suez débâcle reveals Hare at his blistering best; the hamfisted reunion scene between Susan and a fellow Resistance worker at his clumsiest. And so it goes with this play, which is by turns brilliant and blunt, but always wrestles, gallantly, like its heroine, with what it means to be English.

INTERNATIONAL

Arts Guide

ABERDEEN

DANCE
His Majesty's Theatre
Tel: 44-1224-641 122
Scottish Ballet: double bill of Bournonville's "La Sylphide" and Robert North's new work "Light Fandango"; Apr 30; May 1

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
La La La Human Steps: the Canadian dance company in "Salt"; Apr 29

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
David Salle: major survey of the New York-based contemporary artist, comprising around 40 canvasses and featuring the multimedia diptychs and triptychs that made his name in the 1980s; to Jun 13

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; May 1

BALTIMORE

OPERA
Baltimore Opera Company, Lyric Opera House
Tel: 1-410-625 1600
www.baltimoreopera.com
Andrea Chenier: by Giordano. Conducted by Marco Armiliato in a staging by Bernard Uzan; Apr 30; May 2

BEIJING

DANCE
Exhibition Centre Theatre
● The Royal Ballet: the British company presents a Gala Programme, with the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 29
● The Royal Ballet: Romeo and Juliet, in Kenneth MacMillan's staging with designs by Nicholas Georgiadis. With the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 30; May 1, 2

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
A Midsummer Night's Dream: new staging by Heinz Spoerli, conducted by Arturo Tamayo. With sets by Hans Schavernoch and costumes by Keso Dekker; May 1

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Der Fliegende Holländer: by Wagner. Staging by Götz Friedrich conducted by Christian Thielemann; May 2

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and muralist pioneer. Includes public and private loans; to May 2

COLOGNE

OPERA
Oper der Stadt
Tel: 49-221-221 8240
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; May 3

EDINBURGH

EXHIBITION
Royal Scottish Academy
Tel: 44-131-624 6200
173rd Annual Exhibition: painting, sculpture and architecture, including works by three Academicians who died in 1998 – Alberto Morrocco, David McClure and James McIntosh Patrick; to Jul 11

FLORENCE

OPERA
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin; Apr 29

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

LAUSANNE

OPERA
Opéra de Lausanne, Théâtre Municipal
Tel: 41-21-310 1600
The Rake's Progress: by Stravinsky. New production. André Engel directs a staging by Dominique Meyer, conducted by Jonathan Darlington; May 2

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Mstislav Rostropovich in works by Tchaikovsky, Prokofiev and Shchedrin, with violin soloist Maxim Vengerov; Apr 29

Royal Festival Hall
Tel: 44-171-960 4242
BBC Symphony Orchestra: conducted by Martyn Brabbins in works by Adès, Maxwell Davies, and Birtwistle; Apr 29

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 29
● Semele: by Handel. Rosemary Joshua sings the title role in Robert Carsen's staging; Apr 30

Sadler's Wells
Tel: 44-171-863 8000
The Royal Opera: Paul Bunyan, by Benjamin Britten. Staging by Francesca Zambello, conducted by Richard Hickox; Apr 29, 30; May 1

MUNICH

CONCERT
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Sibelius and Allan Pettersson; Apr 30

NAPLES

OPERA
Teatro di San Carlo
Tel: 39-081-797 2331
Il Barbiere di Siviglia: by Rossini. Gabriele Ferro conducts a staging by Filippo Crivelli, with a cast led by Leo Nucci; Apr 30; May 2

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
● Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg; Apr 29; May 2
● Wozzeck: by Berg. Conducted by Jeffrey Tate in a new staging by Pierre Strosser; May 3

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
www.opera-de-paris.fr
Platée: by Jean-Philippe Rameau. Conducted by Marc Minkowski in a staging by Laurent Pelly; Apr 29, 30; May 2, 3

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Algardi: The Other Face of the Baroque. First major exhibition devoted to Bernini's great rival; to Apr 30

VIENNA

CONCERT
Konzerthaus
Tel: 43-1-5870 5040
Vienna Radio Symphony Orchestra: conducted by Ulf Schirmer in a concert performance of J. Strauss's Der Lustige Krieg; Apr 29

EXHIBITION
KunstHausWien
Tel: 43-1-712 0495
Jean-Michel Basquiat: Paintings and Works on Paper. 100 works on loan from the Mugrabi Collection make up the first show in Austria devoted to the black-hispanic US artist; to May 2

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05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN
ECONOMIC VIEWPOINT

Yet more dollars

Dollarisation is equivalent to joining the euro without having a seat on the European Central Bank

Competition between currencies has been proposed by some free market economists and was actually put forward by the British government as an alternative to a single European currency. It has been given a new relevance by Argentina's proposals for "dollarising" its currency.

Currency competition is already a reality judged by the amount of foreign currency notes held for domestic purposes around the world. It is known as dollarisation because the vast bulk of such currencies consists of dollars. But it can apply to any currency.

A recent International Monetary Fund study – Monetary Policy in Dollarised Economies – suggests that over half of all the $470bn of dollar notes are held abroad. Average foreign currency holdings of countries that have borrowed from the IMF since 1986 are equivalent to over 16 per cent of total "broad money" – banknotes plus bank deposits.

Some individual countries hold very much more. The highest is Bolivia where 82 per cent of all money consists of dollars. Even in the UK over 15 per cent of broad money consists of foreign currencies.

The IMF does not like foreign currency holdings because they complicate the setting of domestic monetary objectives. But the study tries to dissuade members from making dollar holdings illegal, as this would drive them offshore.

Its main message is the long familiar one that dollarisation is a product of lack of confidence in domestic policies. It admits however that dollarisation has remained and even increased in several countries after "successful stabilisation".

One halfway house is the currency board. This is based on an old British colonial system, but has been adopted by independent countries, of which Argentina is a prominent example. It has suffered less speculation against its currency than Brazil.

Under a pure currency board the whole of a country's note issue and reserve deposits by banks have to be covered by holdings of dollars or other specified hard currencies. Countries with currency board features include Estonia, Lithuania, Bulgaria, Hong Kong and Bosnia.

The most enthusiastic academic exponents of currency boards, Steve Hanke and Kurt Schuler, complain that Argentina does not have a pure currency board.* It has a central bank with limited independence in monetary policy and up to one-third of the monetary base can be backed by Argentine government bonds.

There is of course always some chance that a currency board will be abolished by a future government. Because of this risk interest rates in currency board countries are higher than in the US. In Argentina this premium has recently been running at around 2½ percentage points on short-term interest rates and it was much higher during Mexico's "tequila crisis" of 1995.

Carlos Menem, Argentina's president, would like to get rid of the premium to stimulate the country's economy which has recently been flagging. He proposes replacing the peso altogether by the dollar. He claims that this would add 2 percentage points to the underlying growth rate. The official preference is for a negotiated agreement with the US, which might be take two or three years to implement.

The Hanke paper proposed unilateral dollarisation of the Argentine currency within 30 days. Although not official policy, this is welcomed in Buenos Aires as a reminder that Argentina could go it alone if necessary. This would be technically possible quite soon as Argentine dollar reserves are already more than sufficient to cover the existing holdings of pesos and bank reserves. The operation is further simplified by the fact that the exchange rate is one peso to one dollar.

Some 27 small countries, including Panama and Puerto Rico, are already dollarised in the Argentine manner sense and the idea is under discussion in Hong Kong. But dollarisation by Argentina, which has a population of 36m, would be an altogether bigger move. Prof Hanke claims that growth has been 50 per cent faster in 1953-1993 in countries which are dollarised or have currency boards than in countries with orthodox central banks, and that fiscal deficits have been 40 per cent less.

Nevertheless, action in Argentina is unlikely until after the October presidential elections for which Mr Menem is not eligible to stand. It is far from clear what a successor would do, but at the very least the currency board features would be retained.

The US is obviously wary. Larry Summers, US deputy Treasury secretary, has warned that the Federal Reserve would continue to base policy on US domestic needs without taking into account Argentina. The Fed would not be prepared to act as a lender of last resort.

How tragic would these limitations really be? The position would be similar to that of a European country which had adopted the euro but had no seat on the European central bank. The ECB does, irrespective of voting, have to take into account conditions in the whole euro-zone. But countries such as Ireland or Portugal – which individually account for a small proportion of the euro-zone's gross domestic product – do not find their interests mattering much anyway.

Curiously, Prof Hanke denounces orthodox central banking as a form of central planning. But dollarisation also depends on a central banker – the Fed. The legitimate reply is that the Fed has a better record at providing low inflation and economic and financial stability than the great majority of emerging economies.

Current proposals do not provide for any monopoly of the dollar. Argentina is already one of the most liberalised financial economies in the world and its citizens can hold any currency they desire. The dollar's lead comes from the fact that this is what peso deposits and notes would initially be converted into. Its legal tender status would merely mean that contracts would have to be settled in dollars if the currency of settlement was unspecified.

The main calculable loss from dollarisation would be "seigniorage", that is state profits from the note issue. This only represents however about 0.2 per cent of GDP. It is also objected that dollarisation would conflict with proposals for a "Mercosur" currency for Latin American nations. The simple reply is that adoption of the dollar is a more promising prospect.

Could an economic Eurosceptic who opposed British membership of the euro because he did not believe in a "one-size fits all" monetary policy logically support dollarisation by Argentina? He just about could. For he could say that the operationally independent Bank of England has by now established a good monetary track record. There is therefore an alternative domestic route to low inflation which has gained credibility. The same could not yet be said even of the more successful emerging countries.

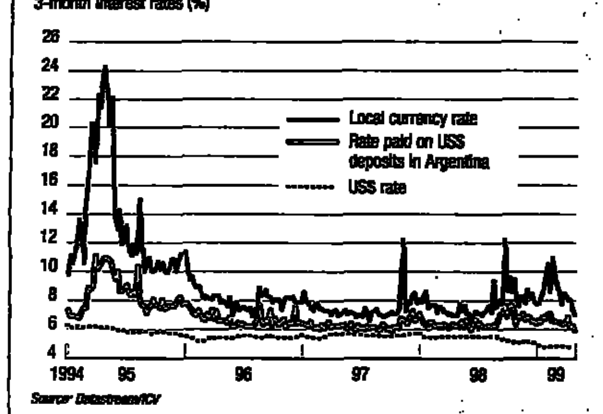
The implications of widespread dollarisation are sweeping. If Argentina were to make a successful move, other countries would be likely to follow. US leaders can say that they would take no notice of Argentina in formulating monetary policy. But they could no longer be indifferent if the greater part of the world's effective supply of dollars – not merely currency notes – were held outside the US.

We would in practice then be near a dominant world currency and the Fed would become a world central bank. This is not an honour to which it aspires, but it will still need to think about it – as we all will.

**A Dollarisation Blueprint for Argentina, Cato Institute, Washington*

The Argentine risk premium

3-month interest rates (%)



Source: Datastream/ICV

LETTERS TO THE EDITOR

Air deals have outlived usefulness

From Mr Peter Morrison.

Sir, Richard Branson's Personal View ("Storming America's sheltering sky", April 19) is a refreshing call to liberalise international air transport markets. For too long, governments have had fixed quantities of air services and suppliers through bilateral deals with other governments. Economically, these arrangements never made sense. Legally, they continue to exist only because air traffic rights were carved out from the core disciplines of the World Trade Organisation agreement.

Mr Branson suggests two ways of driving forward liberalisation in the North Atlantic air transport market: through a renewed US-UK accord, or through a US-EU one. There is a third way. A new round of trade negotiations will be launched by WTO members in Seattle in November. It will deal with trade in services and is required to reconsider the exemption of international air transport services.

Why do air transport services continue to suffer from government quotas and discrimination based on country of origin? The usual excuses no longer make sense. National security and flag carrier prestige are not credible reasons, since far more sensitive sectors such as banking and telecommunications are already subject to WTO disciplines. Safety is not an issue, since nothing in the WTO prevents the application of stringent rules in this area. Airport slots and other scarce resources can be allocated on a non-discriminatory basis through pricing mechanisms.

Continuing government quotas and discrimination in bilateral air service agreements thus appear to do little more than protect established commercial interests. If so, then governments should refocus their attention on the far greater (but more diffuse) benefits that international air transport liberalisation would produce in the wider economy.

What can be done? Air carriers interested in improving services and reducing costs must pressure governments to restore basic WTO non-discrimination and market access disciplines to the sector. Even more important, corporate and individual users of air services should do the same. It is time now to urge WTO ministers meeting in Seattle in November to place this topic high on their agenda.

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Data directive aims to empower citizens

From Prof Stefano Rodota.

Sir, There can be no doubts as to the usefulness of discussing the transfer of personal data from Europe to the US, following the enforcement of EU Directive 95/46. But one should refrain from inaccurately describing the contents of the directive or misrepresenting the reasons underlying the Europe-US debate.

It is incorrect to say that the directive is the product of a culture (Europe's) in which government has the upper hand, whereas "industry self-regulation" would be given preference by American culture ("Privacy rules open a gulf of mistrust", April 14). The directive is not grounded on the empowerment of governments: it is aimed first and foremost at empowering citizens by providing them with the right to control directly the way others use the data concerning them, without any bureaucratic intermediaries. I do not believe that there may be cultural divergencies in this regard: indeed, Amitai Etzioni – who can be considered to be an exponent of American culture – also wrote that "to leave the role of government out is foolish" with regard to the use of the internet.

Safeguarding citizens' rights does not mean, anyhow, that consent is necessary in all cases (as highlighted by Graham Wood's letter, in the same issue, in answer to Prof Etzioni).

Citizens must have the right to access data in order to check that they are collected lawfully and processed in a fair and secure way, and that they are not used for purposes other than those for which they have been collected. Moreover, citizens must be enabled to bring an action against any infringer of their own rights, based on specific provisions and before an impartial court, without excessive delay or expense.

This is the focus of the current EU-US debate, rather than the excessive requirements applying to consent. An open-minded consideration of these issues in the light of the existing causes for concern, which are not exclusively economic, may show that the EU-US co-operation can be stronger than any reasons for conflict, and that there is not merely the "safe harbour" provided by self-regulation.

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A global brief

A flurry of cross-border corporate deals is forcing law firms to increase their international presence. The obvious route is to merge, says **Jean Eaglesham**

The idea of a battle to take over the world is more redolent of the world of James Bond than that of law firms. But despite their natural conservatism, the biggest UK and US commercial law firms are now fighting to claim a place among an elite band of top global names.

Lawyers have woken up to the fact that the rise in cross-border finance has left their firms looking vulnerable. They have been slow to mimic the global services offered by leading City and Wall Street investment banks.

The news that Cameron McKenna, a top 10 UK firm, is to link up with five continental European partnerships is one sign that the fight is becoming serious. It follows the disclosure that Clifford Chance of the UK and Rogers & Wells of the US are in advanced talks on what would be the largest-ever transatlantic merger.

Even if the transatlantic talks break down – as many predict they will – global consolidation appears inevitable. The stakes are high. Most of the top 20 UK and US law firms – which had annual revenues totalling £5bn last year – believe there will be only five to 10 global firms within a decade.

In investment banking, US banks such as Goldman Sachs and Morgan Stanley Dean Witter have opened offices in many financial centres as part of their global expansion. The top US law firms' close relationship with US investment banks brings them work advising on overseas mergers and privatisations, without the need for a big local presence.

"Expansion is less important for the US firms. They have a delicious home market and quite a lot more profitability," says Alan Peck, chief executive of Freshfields, one of the top UK firms.

The approach of the giant New York-based Skadden, Arps, Slate, Meagher and Flom is typical. "We are gradualists," says Bob Sheehan, executive partner. "We have built a European hub around London, and an Asian hub around Hong Kong. But we have not followed the much more aggressive ways of our European competitors."

Top 10 law firms in the world

	Headquarters	Number of lawyers	Lawyers outside home country (%)
Baker & McKenzie	Chicago	2,300	80
Clifford Chance	London	1,795	48
Eversheds	London	1,290	4
Jones, Day, Reavis & Pogue	Cleveland	1,191	10
Skadden, Arps, Slate, Meagher & Flom	New York	1,125	9
Linklaters & Alliance*	London	1,116	32
Freshfields	London	1,104	42
Allen & Overy	London	1,080	28
Dibb Lupton Alsop	London	982	1
Morgan, Lewis & Bockius	Philadelphia	901	6

Source: Legal Business   * Figures are for Linklaters before it merged with the Alliance

In contrast, the approach of several UK legal firms has been to expand business around the world by merging and forming alliances with local law firms.

"It is not a matter of being big for the sake of it," says Tony Williams, managing partner of Clifford Chance. "But inevitably as international clients get bigger, they are getting more demanding. You need breadth and depth [in different jurisdictions] to meet that, but more importantly a blend of local law and international approaches."

As a result of this push, UK firms are doing better in the global league tables than their US counterparts. Only four of the world's 10 largest law firms measured by the headcount of lawyers are from the US, according to a survey published last November. Ranked by profitability, the US quota jumps to six of the top 10, but even here the gap is closing.

Five years ago, the average profits per partner at New York's five highest-earning firms were 1.8 times that of London's top five. Now, the ratio is about 1.3 times, according to The American Lawyer and Legal Business magazines.

But it would be premature to assume the UK expansionist approach will succeed in the long term. Merging law firms is fraught with difficulty. Many would-be alliances, including attempted transatlantic link-ups in the 1980s, have come unstuck.

Indeed, despite their push around the world, few UK firms are seeking a large transatlantic merger along the lines of Clifford Chance and Rogers & Wells. "UK firms are trying to build US capacity and see if they can get it good enough so they don't have to go through the costly and slightly traumatic process of a US merger," says Mr Peck.

The biggest barrier to mergers is the wide difference in profitability between continental European, UK and US firms. An example is last year's alliance between Linklaters, the UK international law firm, and four other leading European commercial law firms to form the second-largest law practice in the world. Critics point to the fact the profitability of Oppenhoff & Radler, the German member of the group, is half that of the UK firm.

Merging law firms is fraught with difficulty. Many would-be alliances, including attempts at transatlantic link-ups, have come unstuck

Charles Allen-Jones, senior partner at Linklaters, insists this will not thwart eventual plans to create a single, unified firm. "It will affect the basis of merger, but not whether a merger takes place or not," he says.

But negotiations on profit-sharing schemes and partnership structures are notoriously difficult and no deadline has been set for the Linklaters grouping to move to a full merger.

Arguments over profits are not the only pitfalls. "There are huge problems and difficulties to mergers, or to vastly increasing size through lateral hires [of lawyers from firms in other countries]. You need to grapple with any management issues on a worldwide basis if you want to maintain the quality of the business," says Giles Henderson, senior partner at Slaughter & May.

As a result, Slaughter & May has eschewed the approach of opening offices across the world in favour of informal links with firms in other jurisdictions. Mr Henderson insists this is not a parochial strategy but a way of offering its clients an increased choice.

"If there was a powerful market imperative on us [to expand through mergers or branches], we would do it," he says. "We are not getting that market steer from our clients."

But other UK firms do not believe they have the luxury of time. Although US firms are holding back, large accountancy firms are trying to muscle in on their business.

PricewaterhouseCoopers has said it aims to be among the top five providers of legal services in the world in five years' time, and Arthur Andersen has made two abortive attempts at merging with a second-tier UK law firm.

"Providing the rules on multi-disciplinary partnerships are relaxed, the most potent threat in the global market [for legal services] is the accounting firms," says Ben Bolton, managing director of CSS, a market research firm.

There are other external pressures on law firms as well. Some of the global investment banks are already unhappy at the failure of law firms to match the pace of consolidation in their own industry. The first big law firm created by a transatlantic merger could gain work as a result.

Whether or not the talks between Clifford Chance and Rogers & Wells succeed, they are unlikely to be the last in the industry.

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FINANCIAL TIMES

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Thursday April 29 1999

A legacy for competition

The European Commission's proposals yesterday for revising competition law were a welcome sign of life after death.

Last month, when all 20 commissioners fell on their swords after a corruption scandal, this was one of many measures that was expected to be lost in the turmoil. It was agreed then that no new initiatives would be proposed until a replacement commission was appointed. But yesterday's white paper commanded such general support that it was an obvious way to show that rigor mortis has not yet set in.

The main effect would be to devolve to national jurisdictions much of the enforcement of Article 85 of the 1962 EC treaty (which covers restrictive practices). This will bring it into line with Article 86 (on abuse of a dominant position) which can already be enforced locally.

The EC will be left to oversee mergers and cartels that, because of their size or special characteristics, are of general importance to Europe. This is a sensible division of labour. National courts should be able to act more speedily on smaller cases. And by now, a large body of precedent has accumulated to guide them.

Leaving decision-making at the centre would, in any case, be impractical when the EU is enlarged from 15 members to perhaps 25. Even before then, industrial restructuring encouraged by the single currency is expected to increase the caseload on competition authorities.

But although the general thrust of the white paper is to be welcomed, there are dangers. Some countries might be tempted to bend the rules in favour of companies that they regarded as national champions. The commission will retain power to intervene in such cases. It must also retain the political courage to do so.

This danger is highlighted by another threat to free competition that the commission has failed to resolve – the proliferation of state aid. This is still running at about €38bn (£25bn) a year, according to the latest figures. Much of it is used to protect failing businesses and so distort competition.

Unfortunately any attempt to reduce this deadweight on the European economies confronts powerful political interests. Just three governments, those of France, Germany and Italy, pay more than three-quarters of all this aid.

Before scandals overtook the commission, it had been trying to encourage governments to reduce these subsidies. But effective action on this issue, and on competition cases that involve national pride, will require strong and confident commissioners, able to stand up to politicians. Measured against this task, yesterday's white paper was a dying spasm. Every effort must now be made to bring the new team to life as soon as possible.

Arafat's state

Damned if he did and damned if he didn't. This was the not unfamiliar dilemma facing Yassir Arafat, the Palestinian leader, yesterday, as he retreated from his pledge to declare a sovereign Palestinian state on May 4.

That is the date, fixed in the 1994 interim agreement on Palestinian autonomy, by which a final settlement with Israel should have been negotiated under the Oslo process – essentially to agree where Israeli land ends and Palestinian land begins.

But there have been no such negotiations. Even the interim self-rule process the Palestinians accepted as a bridge to nationhood has been frozen by the Israeli government of Benjamin Netanyahu. Consequently, Palestinian pressure on Mr Arafat to declare a state unilaterally has been intense.

By yesterday, however, the consensus emerging from an orchestrated PLO council meeting was that he would delay – until after Israel's elections on May 17 – following equally intense pressure from the US.

Washington was worried that a declaration now would play into the hands of Mr Netanyahu, who set the election date for after May 4 even though his coalition collapsed last December. Yet, the Israeli leader is already boasting that Mr Arafat backed down after his threats to annex large swathes of the West Bank. So, is the Palestinian leader's position as "lose-lose" as it looks?

In recent weeks, Mr Arafat has been trying to trade postponement for enhanced international support for a Palestinian state. The EU, at its Berlin summit last month, endorsed Palestinians' "right" to statehood and, this week, President Bill Clinton more vaguely supported Palestinian self-determination. These are pluses for the Palestinians. But the Israeli elections are unlikely to add to them, whoever wins.

Whereas Mr Netanyahu has made clear he is willing to cede barely half the West Bank, his challengers, former generals Ehud Barak for Labour and Yitzhak Mordechai for a new centre party, are willing to give up only fractionally more. True, unlike him, they appear sanguine about the notion of a Palestinian state. But, if none of them will surrender enough land to make statehood viable, the difference is one of form, not content.

By signing the Oslo accords the Palestinians recognised the existence of Israel on four-fifths of mandate Palestine. They expected, in return, the remaining fifth: all of the West Bank, the Gaza Strip and occupied Arab east Jerusalem. It is inconceivable their leaders can accept much less than this and survive. Dates and states aside, that is the issue. And, once the elections are over, it can no longer be evaded.

Development

Amid the generally upbeat mood at the meetings of the world's economic policymakers in Washington, James Wolfensohn, president of the World Bank, sounded a salutary warning. The financial crisis may be over. But its effect on developing countries will be long lasting. International development targets, which looked not long ago looked achievable, could now be out of reach.

The outlook for the world economy appears far brighter than during the autumn World Bank-IMF meetings. A start has been made by the Group of Seven leading industrial countries in strengthening the global financial system.

However, markets recover more quickly than economies. When economic growth falters, human development stalls. The World Bank's annual report on development indicators shows that the financial crisis will have a deep effect on efforts to improve the lives of the poor in many countries.

International development targets to halve the numbers in poverty by 2015, to cut infant mortality in poor countries by two-thirds and to enrol all children in primary education are all at risk, Mr Wolfensohn warned.

Spending to alleviate poverty, on health and on education represents an investment. By forcing governments to cut social spending, the the financial crisis may weaken poor countries' human capital stock. Where it can be used wisely, rich countries should be more generous with development assistance.

World Bank forecasts show that over the next few years, the only developing countries that will grow fast enough to allow poverty to be reduced will be China and India. These two countries escaped the financial crisis largely unscathed, largely because they are isolated from financial markets.

Many countries are too poor to be much affected by the crisis. African governments are more concerned with debt relief than financial architecture. The G7 finance ministers meeting showed that an international consensus has been built to accelerate debt relief where it will be used wisely. This must be put into practice at the meeting of G7 leaders in June.

It is the middle-income countries of Asia and Latin America – those integrated into the world economy – that have been knocked off course. This is disheartening. The Latin American debt crisis of the 1980s set back development by a decade. The same could happen again. The important questions, as financial markets recover, is whether Asia can return to its former high-growth path; and whether hard-fought reforms in Latin America can be maintained.

COMMENT & ANALYSIS

India's election trap

There is a paradox at the heart of the world's largest democracy: as more Indians vote, government is becoming less stable, says Mark Nicholson

In a superstitious nation, more than one pundit has noted that India's 13th post-independence election was precipitated 13 months after its last one; unlucky not just for Atal Behari Vajpayee, the prime minister who led India's shortest-lived parliament, but also for the country itself.

With balloting unlikely for months – perhaps not until October – Mr Vajpayee, the Bharatiya Janata Party leader, could also become India's longest-serving caretaker prime minister. "That a caretaker government will preside over the destiny of a nation for that long is fraught with disastrous consequences," wrote the Indian Express yesterday.

The cost of months of policy drift can be counted in an interrupted economic reform programme, a log jam of pending legislation, pitiful foreign investment flows and uncertainty over India's nuclear posture.

But no one has questioned the democratic system itself, which has put Indian politics into its current mess. In fact, it is partly because India's democracy is flourishing that politics has become so unstable.

Politicians and press may not relish a return to the hustings, but evidence suggests that India's people will not mind – if they once again fail to deliver a parliament capable of offering a "stable" government.

The direct cost of organising a poll of India's 600m voters, the world's biggest electorate, is about Rs8bn ($187m), and turnout is high by the standards of most democracies. In the first post-independence election in 1952, 45 per cent of the electorate voted. Since then, participation has surged to between 55 per cent and 61 per cent, where it has remained.

While more Indians are voting, enthusiasm for elections varies markedly across the social spectrum. In general, richer, better educated, upper-caste and urban Indians are voting less. Poorer, lower-caste, rural and less educated Indians are, however, voting far more.

Yogendra Yadav, a political scientist at the Centre for the Study of Developing Societies in Delhi, said India's democracy is undergoing a "fundamental though quiet transformation".

Mr Yadav says many complex social and political reasons account for the shift in voting habits. They include the waning political energy of Congress, the party that dominated Indian politics for three decades after independence; the rise of regional and caste-based parties; and the growing political awareness of India's lower social layers. There also are the effects of economic deregulation, which has prompted greater political and economic assertiveness among India's states.

As India's poorer, more deprived groups assert themselves politically, they are "pulling politics closer to their beliefs and concerns", Mr Yadav says. These "newly mobilised" groups have spawned a raft of small parties that are vying for political space with the BJP and Congress, which is now led Sonia Gandhi, the Italian-born widow of Rajiv Gandhi.

"The main political parties, especially Congress, were exhausted when this upsurge began taking place. Congress in particular couldn't offer itself as a vehicle for this political surge," Mr Yadav says.

The result of this fragmentation has been today's political instability, where neither Congress nor the BJP can command a majority in parliament, and governments can be overthrown by the defection of only a handful of MPs. Such was the fate of Mr Vajpayee's government: it fell after a party from the southern state of Tamil Nadu withdrew the support of its 18 MPs. The disproportionate power wielded by these small parties has encouraged their proliferation, Mr Yadav says.

Few analysts doubt that India's next parliament will be as fragmented as its predecessors and will require the formation of a coalition. There is also a growing perception that the protracted political instability is beginning to harm the country.

"The worst victim of this power game has been the economy and India's image abroad," Mr Vajpayee said yesterday. "The loss suffered by the country is both measureable and intangible."

Such stop-go government clearly hurts India's economy. The liberalising reform programme born during an external crisis in 1991 and pushed through by the Congress government of P.V. Narasimha Rao, slowed down in the latter years of his five-year term and has faltered ever since.

The irony is that most Indian political parties broadly agree with the need for further economic reform. But the pace of liberalisation has stalled because of electoral interruption and the increasingly frequent political squalls in parliament.

The resulting legislative backlog amounts to more than 100 bills, half of them economic and some now delayed by up to two years. This includes an insurance bill, long awaited by foreign investors, which would open the state monopoly to private and limited foreign investment. But legislative sclerosis is only part of the problem.

After seven years of halting reforms, India must now address some of the toughest structural impediments to higher economic growth, which surged in the early 1990s to 7 per cent a year but has since slipped back to about 5 per cent.

As the latest Asian Development Bank report on India notes, the country needs to accelerate and widen reforms to raise the growth rate to between 7-8 per cent, the minimum level required to begin to lift more than 390m people – 40 per cent of the population – out of poverty.

Such reforms would have to include tougher measures to cut the fiscal deficit, which has averaged 6 per cent of gross domestic product in the past two years.

The Asian Development Bank says India needs to strengthen non-tax revenues, raise user charges for power and other utilities, cut food and fertiliser subsidies, and restructure public sector enterprises. The snag is that all these moves are politically controversial and would require the kind of strong government that currently looks beyond India's reach.

Stop-go government is also hindering India's dismal progress in trying to attract foreign investment to modernise its ailing infrastructure. The rapid succession of governments has brought delays, reviews and amendments to power and telecommunications policy. Allied with India's already crawling bureaucratic procedures, foreign investment has virtually slowed to a halt.

The shortfall is dramatic. A government study in 1996 estimated India needed total investments worth $345bn to upgrade its power, ports, roads, telecommunications and city services by 2006, of which 15 per cent would be externally financed.

But annual foreign direct investment flows have been flat at between $2bn-$3bn during the past two years – less than 7 per cent of FDI flows to China, a country with a similar population, but also lower than foreign investment in Thailand, Singapore, Malaysia, and even Chile, a country of 13m people, the population of Delhi.

According to the latest estimates of the Centre for Monitoring Indian Economy, a private think tank, FDI flows to India are 29 per cent down so far this year.

Moreover, the more governments chop and change, the more cautious bureaucrats become. "A good bureaucrat now is one who makes sure the government doesn't take any big decisions," one of India's senior mandarins says.

Nor is it only the economy that suffers from an unstable government. There is an immediate cost to India's foreign policy, now of more pressing international concern than ever after Delhi's nuclear test blasts in 1998, and Pakistan's matching explosions.

Bilateral talks between India and Pakistan have been stripped of political substance because of the government's fall in Delhi. A similar fate has befallen the carefully nurtured US diplomacy towards India following its nuclear tests. US officials have already written off the prospect of India signing the Comprehensive Test Ban Treaty by its September deadline.

Unless the BJP is again at the centre of the next government, and Jaswant Singh, foreign minister, can continue his dialogue with Strobe Talbott, US deputy secretary of state, US officials say they fear Washington's nuclear diplomacy with India "will have to start all over again".

Moreover, US officials fear discontinuity of government is preventing India from formulating a coherent nuclear doctrine, something the US and other western powers would sorely like India to have.

"They have an intuitive one, but going from the intuitive to strategic command and control, these are very different matters," a senior US official says. "They have to show more of their strategy and what they believe is their capability than just a couple of tests. There is also a real question of who is vested with responsibility for what."

Unfortunately, neither the economy nor foreign policy is likely to feature in the forthcoming elections. For India's main parties, the issues are simply who can offer the most "stable" government and the most "able" prime minister. Voters, meanwhile, are more concerned about the price of food, bus fares, and the state of their village roads, schools and clinics.

Broader, more detailed policy debate is another cost of the country's fractured politics. Some analysts worry about the jostling for power among India's newly emerging smaller parties. But the consequences are not all negative, Mr Yadav says.

He cites a survey during the 1996 elections, five years after India embarked on reforms, which found that only 18 per cent of Indians had "vaguely" heard about the liberalisation and dismantling of centralised economic controls.

"What you don't see is the politics addressing the aggregate, looking at the larger interest. We have not yet entered an era where for example economic liberalisation is being debated openly," Mr Yadav says. "In other ways though it's a wonderful development, since the real issues, the people's issues are coming to the fore."

OBSERVER

Settling the settlements

No one ever accused the Jewish settlements on the West Bank of being uncontroversial. But the world-weary leader of Israel's leftwing Meretz party has found a new way to use them to embarrass the government.

The well-oiled Israeli spin machine has long churned out the claim that a population explosion has the settlements bursting at the seams. Any new building work, it explains, is just to allow natural growth. So why should the Americans or Palestinians be upset?

But a few days ago Yossi Sarid took the government to task as he strolled along the empty streets of a spanking new neighbourhood in the Eli settlement. Desperate to find a resident, he called out: "Helloooooo! Is there anybody out theeeeeere?"

His unanswered cries bounced off the walls of the ghost town, but they won't go unnoticed. Meretz made sure to bring a film crew along, and the scene will appear in his campaign ads.

Predictably, prime minister Benjamin Netanyahu's media advisers slammed the stunt. They say the settlements obey free market rules: there's just more supply in some than in others.

But it's odd that the cheap, pretty buildings shouldn't find buyers. It couldn't have anything to do with the Palestinians' claims to the places, could it?

Arnault.com

One moment he's Mr Luxury. The next he's the sultan of cyberspace. Bernard Arnault is collecting internet assets with the same assiduousness with which his fancy goods group LVMH goes after top-notch brands.

His new interest in matters virtual has led the man behind Vuitton and Krug to join hands with Kingfisher, the British budget retailer, in a partnership that might seem bizarre outside cyberspace.

French newspapers are already carrying advertisements exhorting the public to hurry to an appliance chain and sign up to Liberty Surf, the partners' new, free internet service.

An Arnault aide murmurs that his boss is thinking hard about how best to use the cyberspace to get goods out to customers. The latest deals are just "the tip of the iceberg" when it comes to Arnault's internet plans. Observer understands that LVMH's strategy is under development too. Watch this e-space.

Worrying Wal-Mart

These days the word "Wal-Mart" is enough to turn a European retail executive's hair white at 50 paces. But while some masterminds might be busy plotting the Arkansas company's arrival on the shores of the old continent, other Wal-Mart brains have been tied up with a little local legal difficulty.

Thousands of lawsuits have been filed in the US against the store that's sold everything from guns to cupcakes. Most have been brought by angry customers who allege they've been injured by falling boxes and the like. But Wal-Mart has still more legal travails.

The current issue of the National Law Journal, a rather sober professional periodical, lists some 15 cases in which the company has been fined for breaking rules requiring attorneys to turn over evidence.

Wal-Mart's lawyers deny the charges, and say the sanctions aren't warranted. But the company, founded by Sam Walton (Arkansas' second most famous son, after Bill Clinton), may be swimming upstream.

One frustrated judge quipped: "What do they teach in Arkansas? Is there something in the drinking water in Arkansas that says perjury is all right?"

We'll be right back

Trust those stoical Swedes, the European champions of the pregnant pause, to develop a sure-fire way of filling an embarrassing silence in a telephone conversation.

Conversationalists may be fuming about GratisTel, the Swedish company that introduced Europe to the joys of free phone calls with ad breaks and plans to take "sponsored telephony" to the UK.

But while both ends of the line might be sent loopy by regular 10-second commercials from anyone from CNN to Amnesty International, there are some unexpected benefits too.

For those dreary duty calls – to family or forgotten friends – the advertising can be heaven-sent. You always know it won't be long before a happy voice suggests a trip to the cinema or a Big Mac. So what better way could there be to discuss the weather or listen to a tedious relative's latest gripes?

Outbid

A word of warning to all those ambitious e-auctioneers out there. Last week, Observer was only too happy to celebrate the $400,000 sale of the historic bedroom suite in which, it's thought, Canada's first prime minister once snoozed.

But the sad truth has since emerged. The bidder for the suite, who also tried to buy a 1955 Ford convertible and a Van Gogh painting, turns out to be a New Jersey teenager who used his parents' account on eBay, the online auction service.

The buying binge is now over. Junior's been grounded. "I'm off the internet," he laments. The internet's probably gone off him too.

The Financial Times

100 years ago

April prospectuses
The joint stock statistics for the month of April exhibit a very decided falling off as compared with those for March, and are, indeed, so far below the average that to find a parallel it is necessary to go back to the summer, when the world and his wife were out of town. The inaction has been most noticeable in the section that is usually responsible for the biggest figures and the chief sensations – namely, that of new industrial flotations – and had it not been for a small rush of fresh issues by existing companies, the record would have been miserable in the extreme.

50 years ago

Crisis in films
British Lion shareholders have listened this week to some home truths from their chairman about conditions in the British film producing industry. For the last seven years it has been chasing a phantom of technical prefection, by indulgence in over-lavish spending and over-ambitious production programmes. Last year, cinema attendances began to decline, and the effect was felt of Hollywood's virtual embargo on imports of British films.

FINANCIAL TIMES

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THE LEX COLUMN

Low gear

Perhaps investors will believe Volkswagen this time. When the German carmaker warned in February that profits would struggle to rise this year – dashing consensus forecasts of 15 per cent growth – the market scoffed. The assumption was that VW was pleading poverty as a ploy in its pay talks with the unions.

Those negotiations have since concluded. But the figures – *pace* yesterday's surprisingly bad first-quarter results – remain poor. Hence the 6 per cent fall in the shares. It is not clear where exactly the problem lies. It is certainly not a sales issue. Revenues rose by 8 per cent – perfectly respectable for the industry. Though there was a glitch in Brazil, where sales slumped, this was foreseen and also compensated for by market share gains in western Europe.

The concern is that VW's rivals are beginning to squeeze its margins in Europe. The group's marketing expenses appear to have risen by more than 20 per cent in the first half, twice the market expectation. But VW has not provided an adequate explanation. As usual, the company seems unwilling to provide any more than the bare minimum of information. This year, VW seems to be lapsing into its shareholder-unfriendly ways in grand style. The underlying situation still seems relatively strong but until VW gives a clearer explanation, there is no compelling reason to buy the shares.

Cadbury Schweppes/Coke

When a company does a good job in selling the merits of a deal, problems in execution are particularly bad news. Even without the intervention of Karel Van Miert, Europe's competition commissioner, Cadbury Schweppes was encountering sticky patches in its planned $1.85bn soft drinks sale to Coca-Cola. Individually each setback can be explained away: Belgium is small; a few revisions were inevitable; so was political noise. But the risk is now much higher that the sale will drag on longer and bring in less than envisaged.

That is not the only concern for investors. Cadbury sold the story very hard that it was too small in soft drinks outside the US to make it worth investing to expand – despite the global potential of Dr Pepper and Schweppes. This is a pity.

It could have said that its international ambitions for these brands remained valid, but it could not refuse Coke's offer of 20 times operating profits. That would have strengthened its current negotiating position. Cadbury can only hope that Coke is so keen to get its hands on non-cola brands to lift its flagging volumes that it will not now drive a much harder bargain.

Assuming Cadbury is still heading back towards its confectionery roots, the question remains: can it replace drinks with something better – especially as the buy-back alternative looks uninspiring for a company on more than 20 times 1999 earnings forecasts?

Internet stocks

Given internet companies' lack of profits, investors rely on alternative yardsticks to value internet stocks. The problem is that these can be even more susceptible to fudge and fiddle than good old earnings numbers.

Take a web site's "stickiness", a key factor in attracting advertisers and merchants. America Online has just reported that its 17m members spend an average of 55 minutes a day (up from 46 last year) within its universe. This compares with 28 minutes for Yahoo! and eight for Lycos. Such a large, patient audience is clearly a powerful draw – the group's quarterly ad and e-commerce revenues doubled. But AOL counts rather generously. It keeps the clock ticking even if users have clicked through to the worldwide web or minimised their AOL window to work on another task – and can no longer see the relevant ad or promotion. While the company says advertisers are perfectly aware of this and pay accordingly, many casual investors may not be.

Another example is audience reach. Lycos shares jumped by more than a third last week when one internet ratings agency said it reached 45 per cent of all home internet users, as many as Yahoo!. A few days later, however, a rival agency put the figure at just 33 per cent.

As internet companies start making money – AOL and Yahoo! already do – investors can begin to gauge them on hard financial data. Meanwhile, they should treat these new means of measurement with caution.

Sega

Poor old Sonic. Having been run over by Sony's PlayStation juggernaut, Sega's once ubiquitous hedgehog cuts a low profile these days. The reason is not hard to find. Sega allowed rivals to overtake it technologically in the mid 1990s. The result: it now trails a distant third in the video games market behind Sony and Nintendo.

Sega has been hoping to revive its fortunes by doing some overtaking itself. But this is proving more difficult than expected. Sales of its powerful new Dreamcast system, launched in Japan in November, have been disappointing. To be fair, this reflects pre-Christmas production problems rather than consumer indifference. But Sega can ill afford slip-ups, particularly with launches in the US and Europe coming up. Sony plans to respond with an upgraded PlayStation at the end of 1999, so it has only this year to make hay at its rivals' expense.

Encouragingly, the hedgehog seems determined to raise his spines and make a fight of it. Sony, the latecomer, mowed down Sega and Nintendo by supplying reams of games software as well as sexier consoles. Sega has learnt this lesson and is beefing up its software offer. Even better, it is promising a radical restructuring, axing a quarter of the 4,000-strong workforce and shedding its loss-making amusement arcade side. Focusing on games makes sense. But if Dreamcast fails to deliver, Sega has no fallback.

Pressure grows in Tokyo for supplementary budget

Members of ruling party add to G7 call for further fiscal boost

By Michiyo Nakamoto in Tokyo

The Japanese government yesterday came under increasing pressure to introduce a supplementary budget to prevent a further economic slowdown this year.

Shizuka Kamei, a senior member of the ruling Liberal Democratic party and deputy head of one of its main five factions, said the government would need to implement an additional budget exceeding Y10,000bn ($84bn). "We must have a supplementary budget," he warned. "I don't think we can say with confidence the economy has hit bottom."

Okiharu Yasuoka, head of a key LDP financial panel, also thought the government would have to adopt additional measures. "The time will come to consider the need for [a supplementary budget]," he said.

The calls for a further fiscal boost came on the eve of a visit to the US by Keizo Obuchi, Japan's prime minister, and followed this week's meeting of finance ministers from the Group of Seven industrialised nations, where Japan again faced pressure to adopt further measures to resuscitate its economy.

Last week Shoichi Nakagawa, agriculture minister, and Katsutsugu Sekiya, construction minister, indicated they believed another budget would be necessary in the autumn.

However, Mr Obuchi yesterday reiterated the government's line that a supplementary budget was not under consideration. "It would not be right to say that now that we have reduced the tax rate we won't have to do anything tomorrow, but I believe measures [already implemented] will bear fruit," he said.

Having just adopted an unprecedented Y82,000bn budget for the fiscal year beginning this month, Japanese political leaders have been at pains to deny that the country needs another budget.

Many economists agree that a supplementary budget is inevitable, however. "I can't think of anything else apart from a supplementary budget . . . to achieve the government's goal of 0.5 per cent growth," said Hiroshi Kato, president of Chiba University of Commerce and head of the government's influential Tax Commission.

Speaking in a private capacity, Mr Kato said he believed that to achieve the 0.5 per cent target, Japan would need at least Y15,000bn in supplementary spending.

Underlining the dismal outlook for the Japanese economy, the Ministry of International Trade and Industry yesterday forecast that overall industrial production would fall 3.2 per cent in April.

"Although a decline in production appears to be approaching bottom, the prospects for final demand are uncertain," Miti said.

The ministry also announced a preliminary 2.2 per cent seasonally adjusted rise in March industrial production. The increase, larger than expected, was attributed to special year-end factors and strength in specific sectors such as mobile phones. Industrial production for the whole of fiscal 1998 fell 7.1 per cent – its worst decline in 24 years.

US approves sale of early warning system to Taiwan

By Stephen Fidler in Washington and Mure Dickie in Taipei

The Clinton administration has given approval in principle for Taiwan to purchase an early warning radar system from the US, in a development likely to anger China.

Approval is believed to have emerged from this week's annual arms procurement talks between administration officials and representatives of the Taiwanese government.

The talks, held on Tuesday, were postponed from earlier in the year to avoid coinciding with the visit to Washington of Zhu Rongji, the Chinese premier.

The decision shows that objections from within the administration to the sale to Taiwan of the long-range early-warning phased-array radar have been laid aside.

Approval required the unanimous agreement of the Pentagon, the State department and the White House. The State department and President Bill Clinton's National Security Council had previously objected because sale of such a system would be provocative to China.

However, a declassified Pentagon report to Congress this year on the security situation in the Taiwan Strait reported on an expected substantial build-up in China's arsenal of short-range ballistic missiles deployed across the strait. Another report, still classified, suggested the build-up had begun in earnest.

The declassified version said: "Taiwan's most significant vulnerability is its limited capacity to defend against the growing arsenal of Chinese ballistic missiles."

This increased pressure from Congress on the administration. Benjamin Gilman, chairman of the House international relations committee, sent letters this month to Mr Clinton and Madeleine Albright, secretary of state, urging the sale of the radar. Mr Gilman said yesterday the decision, if confirmed, "will send an important signal to the People's Republic of China about our resolve to assist Taiwan in providing for its legitimate self-defence needs".

The sophisticated radar system would also allow defence against other forms of assault on Taiwan. Its cost would probably run to $700m with Raytheon, Lockheed Martin and ITT being likely to bid, according to Congressional experts. CSF-Thomson of France may also compete for the system.

In Taipei, Jason Hu, Taiwan's foreign minister, told legislators yesterday that the radar system, which could lengthen the warning of a missile attack by five minutes, was purely defensive.

China opposes the sale of sophisticated military equipment to Taiwan, which it considers a rebel province. Early warning systems are particularly suspect as Beijing fears they could become part of a proposed US-led anti-missile shield that might cover Taiwan.

China pulls out of Apec talks, Page 6

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Special report

Du Pont ..... Separate section

South African president Nelson Mandela inspects a guard of honour at Moscow airport as he begins a visit to Russia Picture: Reuters

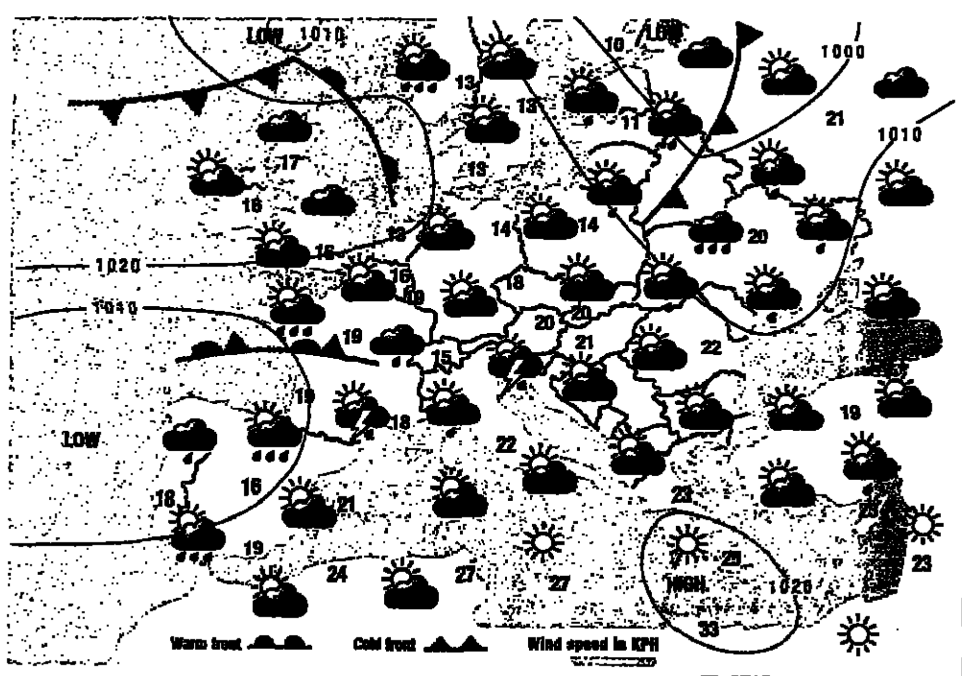
FT WEATHER GUIDE

Europe today

The central and eastern Mediterranean will be fine and warm with prolonged sunshine, but inland parts of northern Italy, northern Greece and the Balkans will have scattered, thundery showers. Much of Spain and Portugal will be unsettled with heavy showers, but eastern Spain should stay fine. North-east France, the Low Countries, Germany and the eastern Alps will be dry and settled with sunshine. Scandinavia will be bright and breezy with sunshine and showers, the showers mainly in the north and north-west.

Five-day forecast

France and the Iberian peninsula will be unsettled with heavy showers and local thunderstorms, but there should be sunshine from Sunday. Central and north-east Europe will become showery, but southern Italy and Greece should stay sunny and warm.



Situation at midday. Temperatures maximum for day. Forecasts by 'PA' WEATHERCENTRE

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	Sun	39
Accra	Shower	33
Algiers	Fair	24
Amsterdam	Fair	13
Athens	Sun	23
Atlanta	Rain	21
B. Aires	Fair	18
B.ham	Fair	16
Bangkok	Fair	35
Barcelona	Fair	18
Beijing	Sun	30
Belfast	Cloudy	14
Belgrade	Fair	23
Berlin	Fair	14
Bermuda	Rain	23
Bogota	Shower	19
Bombay	Sun	32
Brussels	Fair	16
Budapest	Fair	20
C.hagen	Fair	13
Cairo	Sun	29
Caracas	Fair	30
Cardiff	Sun	18
Casablanca	Fair	21
Chicago	Fair	14
Cologne	Fair	17
Dakar	Fair	26
Dallas	Fair	31
Delhi	Sun	38
Dubai	Sun	39
Dublin	Fair	16
Dubrovnik	Fair	21
Edinburgh	Fair	17
Faro	Shower	19
Frankfurt	Fair	18
Geneva	Shower	15
Gibraltar	Shower	18
Glasgow	Cloudy	17
Hamburg	Fair	13
Helsinki	Shower	10
Hong Kong	Shower	28
Honolulu	Fair	29
Istanbul	Fair	20
Jakarta	Fair	33
Jersey	Windy	13
Johannesburg	Fair	19
Karachi	Sun	38
Kuwait	Fair	38
L. Angeles	Fair	17
Las Palmas	Fair	22
Lima	Fair	25
Lisbon	Shower	16
London	Fair	16
Lux.bourg	Fair	15
Lyon	Shower	16
Madeira	Fair	18
Madrid	Cloudy	18
Majorca	Fair	21
Malta	Sun	27
Manchester	Fair	16
Manila	Fair	35
Melbourne	Shower	18
Mexico City	Sun	27
Miami	Sun	31
Milan	Shower	19
Montreal	Fair	13
Moscow	Fair	21
Munich	Sun	18
Nairobi	Thunder	26
Naples	Fair	26
Nassau	Fair	30
New York	Fair	17
Nice	Shower	18
Nicosia	Sun	23
Oslo	Fair	13
Paris	Shower	19
Perth	Sun	26
Prague	Fair	18
Rangoon	Fair	36
Reykjavik	Shower	7
Rio	Cloudy	27
Rome	Fair	22
S. Frsco	Sun	15
Seoul	Sun	23
Singapore	Shower	35
Stockholm	Fair	13
Strasbourg	Sun	19
Sydney	Shower	17
Tangier	Shower	19
Tel Aviv	Sun	28
Tokyo	Sun	19
Toronto	Fair	16
Vancouver	Fair	17
Venice	Fair	19
Vienna	Fair	20
Warsaw	Fair	14
Washington	Fair	16
Wellington	Shower	15
Winnipeg	Sun	20
Zurich	Sun	17

FINANCIAL TIMES
COMPANIES & MARKETS
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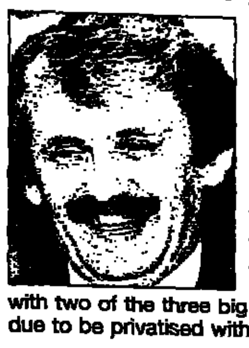
INSIDE

Italian business falls into old habits
Economic and monetary union, new corporate governance rules and financial regulation seemed to be spurring Italy to a business revolution. But the Telecom Italia saga has shown the old way of government interventionism and entrenched interest reassert itself. Page 20

Slovakia gears up for privatisations

The Slovak government of Mikulas Dzurinda (left) took office last October believing in the fundamental importance of injecting foreign capital and expertise into the country's big banks. Now the Slovak banking sector, one of the most fragile in Europe, is at last undergoing change, with two of the three big state-controlled banks due to be privatised within the year. Page 15

Euro.NM takes in three new markets
The Stockholm, Copenhagen and Zurich stock markets are poised to join Euro.NM by the end of June, prompting the pan-European alliance of growth-company stock to consider further harmonisations of its listing requirements. Page 24

Fresh listings put heat under Iceland
A flurry of privatisations and new listings has ignited popular interest in the Icelandic stock market, trebling turnover in the first quarter to $488m, compared with $555m for the whole of last year. Emerging market focus, Page 36

Auctioneers sell cows in cyberspace
A Canadian internet group, e-Auction Global Trading, is selling cattle in cyberspace as it establishes itself in the online commodities auctions market that links businesses electronically to their supply chain. Last year $5bn worth of commodities were traded via internet auctions, most of it in the energy sector. Page 16

Bitter struggle for Fiji's golden prize
Fiji's Vatukoula mine has produced 6m ounces of gold in the past 65 years and yields 120,000 ounces a year. But Emperor Mines, its Australian-listed owner, is locked in an acrimonious corporate struggle with South Africa's Durban Roodeport Deep. Commodities, Page 26

Latvia plans debut in euro bonds
Latvia is to follow neighbouring Lithuania and issue its debut euro-denominated bond this month. The Latvian offering, its first visit to the international capital markets, is expected to be for €150m-€200m ($159m-$212m). Page 24

Singapore Press rises on payout talk
Investors are keeping a close watch on Singapore Press Holdings, the city state's de facto newspaper monopoly, after its shares soared to S$23.60 yesterday on rumours of more payouts from a cash pile of S$1bn ($588m). Page 14

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EU takes tough line on Coke deal

Van Miert demands right to scrutinise Cadbury purchase

By Neil Buckley in Brussels, Betty Liu in Atlanta and John Willman in London

The European Union's competition commissioner warned Coca-Cola yesterday that it faced potentially heavy fines unless it submitted its planned acquisition of Cadbury-Schweppes' non-US soft drinks business for EU approval.

In a strongly-worded warning, Karel Van Miert accused the US drinks giant of attempting to bypass the scrutiny of the European Commission by notifying the $1.85bn deal to national competition authorities.

"We are going to deal with it and if Coca-Cola refuses to notify the case then we won't hesitate to launch the procedures whereby we could apply fines," he said. "Coca-Cola should learn to respect the rules like everybody else."

The Commissioner's comments are the latest blow to the deal, which was blocked this week by Belgium's competition authorities. The Belgian decision and the recent resubmission in Australia have heightened advisers' fears that rejections could follow in other countries including Germany, Spain and Mexico.

PepsiCo, Coke's main competitor, welcomed Mr Van Miert's statement: "We are glad the EU as well as its member states and other countries around the world have voiced a concern about the anti-competitive aspects of this deal."

But Coke and Cadbury expressed dismay, saying they had co-operated with the Commission's inquiries and were still in negotiations with it.

The deal involves more than 120 countries, but regulatory clearance is needed in only 20 or so. Smaller countries such as Ireland and Finland have given approval but several larger countries have yet to nod it through – including Germany where the Federal Cartel Office has objections.

"It was never a deal that was going to go straight past the competition authorities," said David Kappler, Cadbury's finance director. "Where they have concerns we are ready to discuss solutions that meet those concerns so long as it is commercially viable for us and Coca-Cola."

Under the deal, Coke will acquire brands such as Dr Pepper, Seven-Up, Canada Dry and Schweppes outside the US and France, but not the associated bottling operations.

The two companies have excluded income from bottling in calculating the deal's value so it falls below the thresholds for an automatic investigation by the Commission.

Mr Van Miert said the bottling operations had to be included and accused Coke of trying to play national authorities off against the EU-wide regulator by submitting it for approval country by country.

The European Commission has exclusive right to approve mergers involving total global turnover of more than €5bn, when at least two of the merging companies have combined turnover of more than €250m within the EU.

Additional reporting by Uta Harnischfeger in Frankfurt

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Luxottica's Ray-Ban acquisition puts rivals in the shade

By Paul Betts in Milan

The Ray-Ban sunglasses brand was acquired yesterday by Luxottica of Italy, the world's largest eyewear manufacturer and optical retailer.

It was included in the sunglasses business bought for $640m from the US Bausch & Lomb healthcare group.

Luxottica beat competing bids from its Italian rival Safilo and Polaroid of the US.

This is the second significant US acquisition by the Italian family business founded in 1961 by Leonardo Del Vecchio. It bought US Shoe and its Lens-Crafter spectacles retail chain for $1.3bn five years ago.

The markets welcomed the deal, with Luxottica's American depositary receipts rising by nearly 16 per cent on the New York stock exchange to $15.

Luxottica said it expected to close the deal, still subject to regulatory approval, by the end of June.

The transaction involves the entire line of Bausch & Lomb sunglasses including the Ray-Band brand made famous by Hollywood stars from Audrey Hepburn in *Breakfast at Tiffany*, Peter Fonda in *Easy Rider* and Tom Cruise in *Top Gun*.

The other brands include Revo, Arnette and Killer Loop.

Mr Del Vecchio said the deal reflected Luxottica's strategy of building its presence in the quality sunglasses business. Luxottica also produces and markets eyeglasses with the Giorgio Armani, Ferragamo, Brooks Brothers, Vogue and Anne Klein brands.

Bausch & Lomb said it expected to record an after-tax gain on the sale of about $120m.

William Carpenter, the US company's chief executive, said the sale would allow his group to focus on becoming "the world's pre-eminent technology based healthcare company for the eye".

Bausch & Lomb, based in Rochester, New York, announced last year it was trying to sell the sunglasses business.

"We have a tremendous amount of pride in the Ray-Ban brand, but the future of Bausch & Lomb is in the eye-care business," said Mr Carpenter.

Laura Ashley's US chain to be sold for $1

By Maggie Urry

Laura Ashley, the UK retailer of quintessentially English frocks and furnishings, is selling its US business for $1 in a deal with its bankers to stave off insolvency.

The banks demanded both the sale and an agreement to raise new equity as a condition for the extension of banking facilities due to expire tomorrow.

Without the £43m ($69m) facility, Laura Ashley, now 40 per cent owned by a Malaysian group, said it could not avoid *insolvent liquidation. It* is advising shareholders to agree to the sale and a £25m rights issue to keep the business going. The company's shares fell 1½p to 16p.

The retailer was once considered a business success. Its demise began with the sudden *death of its founder*, before the group's public offering in the mid-1980s. Since then the chain has had seven chief executives.

Richard Hyman, of retail consultants Verdict Research, said Laura Ashley was "a business neglected and abused". Expansion internationally had been ill-judged, while in the UK it "does not have a natural constituency any more".

In January it appointed Pat Robertson, the American TV evangelist to the board, causing jokes that the company was praying for a miracle.

However, Stephen Cox, the company secretary, said the Laura Ashley brand was "still incredibly strong on a worldwide basis". *It has 4,500* employees in the UK and continental Europe.

Under the agreement with the six-strong banking syndicate, the £43m facility will be extended for a year, providing the sale of the US chain and a £25m rights issue are agreed to by the end of July.

Malayan United Industries, which *last year took a 40 per* cent stake in Laura Ashley for £43.5m, is underwriting the one-for-two rights issue priced at 13p. If other shareholders do not take up their rights, MUI will end with a 60 per cent stake.

Further, the only buyer the group could find for its North American chain, after a *lengthy* search by Goldman Sachs, the group's advisers, was the *management, which is* being backed by MUI and other *related* parties. *The* consent of independent shareholders for both parts of the deal is therefore required.

The sale of the North American subsidiary involves a write-off of £20.6m of inter-company debt. Laura Ashley Inc would in future act as a franchise, selling only Laura Ashley branded products.

The group also reported a loss for the year to January of *£16.7m.*Mr Cox said the North American company made £14m of the 1999 *loss, and £19m of* the 1998 loss, so its disposal would "make Laura *Ashley* a much better-looking business".

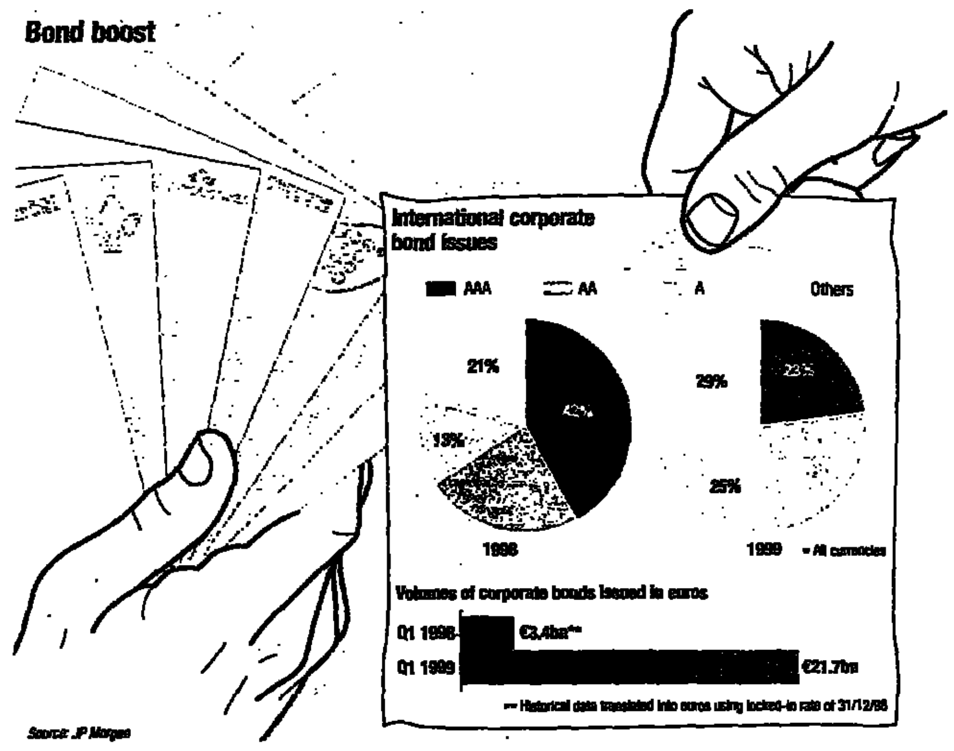
The Ashley family trust *still* owns 17.4 per cent of the group's shares. Sir Bernard Ashley, Mrs Ashley's widower, holds 1.58 per cent. He has pledged to vote in favour of the deals, but will not take up his rights.

PwC, the group's auditors, said it *prepared the accounts* on a "going concern" basis. If the bank deal did not go ahead, the accounts would no longer be valid.

Europeans get taste for bonds

Appetite for risk has grown as credit ratings have fallen, **says Edward Luce**

Bond boost



Source: JP Morgan

A growing number of European companies are switching from the bank to the bond markets to take advantage of changes *wrought* by Europe's *move to* a single currency and historically low interest rates.

The volume of bonds issued by companies in the European currency rose almost sevenfold to €21bn ($22.25bn) in the first three months of 1999 up from €3.4bn (in Europe's legacy currencies) *in the first quarter of* 1998, according to J. P. Morgan.

Perhaps more importantly, the average credit rating of companies issuing bonds has fallen sharply since the launch of the single currency in a sign *of much stronger* European investor appetite for risk.

Of all corporate bonds issued this year, 46 per cent have a credit rating of single A from the international agencies. This compares with just 22 per cent in 1998, itself a much higher proportion than earlier years. Before this, Europe's bond markets were dominated by AAA and AA-rated *quasi*-sovereign and financial bonds.

An impressive list of household names has issued international bonds for the first time recently, including Pirelli, Fiat, Lafarge, Telefonica, Porsche and many lesser known European financial groups.

Bankers say that much of the momentum comes from the realisation by European companies that they can lock in to lower rates of funding for longer maturities by issuing bonds rather than loans.

"European companies must have a business strategy to cope with the single currency but – just as importantly – they have to have a clear *financial strategy*," *said* Paul Hearn, head of European capital markets at J. P. Morgan. "The company with the broadest investor base and the best global distribution [of its bonds] will have a much stronger chance of succeeding."

Graham Bishop, adviser on *European finance to Salomon* Brothers, says that much of the *new demand* for these bonds comes from banks themselves. "Banks are giving up loans and buying bonds instead," said Mr Bishop. "It makes much better economic sense for them to do so."

Under international capital adequacy rules, loans to companies must have a 100 per cent *"risk weighting", which* means banks must provision 8 per cent worth *of the loan* against the risk of default. The risk weighting for bonds is 25 per cent – or 2 per cent worth of the bond. However, there is also a market risk involved in holding bonds which may increase the *cost* of holding it.

European pension, insurance and *mutual funds have also* become significant buyers of corporate bonds since the launch of the euro. This in part reflects the historically low yields available on European government bonds and the need for investors to find higher-yielding alternatives.

But it is also being driven by *new retail investors who are* increasingly disenchanted with the low interest rates paid on their bank deposits. "Banks are trying to take advantage of low interest rates by offering their customers other products such as mutual funds," said one fund manager. "Corporate bond funds are one of the fastest growing *vehicles for retail money*."

Credit ratings sidelined, Page 23

McKesson HBO forced to restate its 1998 earnings

By Richard Waters in New York

One of the biggest recent mergers in the US healthcare *industry ran into trouble* yesterday as McKesson HBO was forced to cut its previously stated earnings figures for 1998.

The accounting adjustment cast doubts on the $12bn (€11.2bn) that McKesson, a drugs wholesaler, paid this year for HBO, a rising star of the healthcare information business.

Wall Street had already treated the merger *with* scepticism and the company's stock *was battered after the news*, falling nearly 50 per cent in a few minutes.

The company's shares, which had fallen from a high of $96¼ last year to $65⅛ on Tuesday, slumped to $34⅞ in early trading on Wall Street yesterday.

Yesterday's developments closely resembled the debacle at Cendant a year ago after that broad-based services group was forced to restate its earnings in the wake of a big *merger, leading to a collapse* in its share price.

Like Cendant, McKesson HBO said that revenues in the *operations of one of its* predecessor companies had been overstated in the period before and just after the merger, which was completed on January 13.

The company said it had identified software sales that should not have been included in *revenues, since* contracts with some customers had not been fully concluded by the time the revenue figures were reported.

In some cases the contracts had been agreed in principle but had not been formally approved by the boards of the *customers* involved, a McKesson HBO spokesman said.

After stripping out these contracts, the company said it actually suffered a 5 per cent decline in software sales in the first three months of this year, not the 21 per cent growth rate that it had reported only six days ago.

For its full financial year, which ended on March 31, software sales rose 13 per cent *rather* than 22 per cent.

Yesterday's news is likely to *renew concerns about how* young, fast-growing technology companies account for their revenues, particularly as they come under increasing pressure to justify their high share prices by hitting ambitious Wall Street growth targets.

This issue has been singled out in recent months by Arthur Levitt, chairman of the Securities and Exchange Commission, as part of his attack on what he claims are deep flaws in US *accounting*.

McKesson HBO came under *intense stock market pressure* after it failed to live up to Wall Street *expectations* for revenue growth at the former HBO in the final quarter of last year.

The accounting overstatement had been uncovered by Deloitte & Touche, which had been McKesson's auditor before the merger, the company *said*. Before the merger HBO was audited by Arthur Andersen.

World stock markets, Page 36

ELECTRONICS HARSH ENVIRONMENT IN AUDIO-VISUAL MARKET LEADS TO LOSS IN FOURTH QUARTER

Embattled Sony warns of tough year

By Paul Abrahams in Tokyo

Sony, the Japanese electronics group, fell into a loss in the three months to March 31 and warned that its results would deteriorate sharply in the current year.

The warning underlined the harsh environment in the audio-visual market and the problems the Japanese company will face in making the transition from the original PlayStation to the next-generation games console.

Masayoshi Morimoto, senior vice-president, warned that the first quarter of the fiscal year would be very tough.

Revenues would fall during the first six months, before recovering in the second half. He expected continued deterioration in the electronics division because of problems in Asia, Latin America, Russia and Eastern Europe, and intense domestic pricing pressure.

All four of Sony's big divisions would have a poor year, Mr Morimoto added. Heavy investment in a semiconductor facility for the next-generation PlayStation, and a fall in games console sales in the current year, would hit sales and profits at the games business.

Profitability at the music division would be held back by investment in on-line facilities, while the lack of "big hit" films last year would depress video sales in the pictures division.

Sony predicted that in the year to March 2000 operating profits would fall 29 per cent to Y240bn ($2bn), on sales down 4 per cent at Y6,500bn. Pre-tax profits would drop 43 per cent to Y210bn. The group has announced a restructuring programme aimed at reducing its workforce by 10 per cent.

An 11 per cent slump in turnover, and static sales, plus general and administration expenses were behind the fourth-quarter operating loss of Y43bn, against a profit of Y58bn in the same period last year.

For the year to March 31, operating profits fell 35 per cent to Y338bn on sales up 0.6 per cent at Y6,784bn. While turnover was virtually static, sales, general and administration expenses jumped 11.3 per cent, partly because of an increase in marketing. Pre-tax profits dropped 18.9 per cent to Y368bn and net income tumbled 19.4 per cent to Y179bn.

The full-year results would have been worse except for exceptional items and currency movements. The weak yen boosted operating income by Y72bn. In addition, the sale of securities provided an extraordinary gain of Y58.7bn pre-tax and Y30.7bn for net earnings.

The games division's operating profits gained 16.7 per cent to Y136bn, equivalent to 40 per cent of sales, making it Sony's most profitable business for the first time.

Exports fuel 74% advance at Pentafour

By Krishna Guha in Bombay

Pentafour Software, India's leading multimedia company, announced a 74 per cent rise in profits to Rs1.2bn ($28m) for the year to March 31, thanks to buoyant exports.

The results continue a pattern of stellar performance by the country's technology sector, which has shown explosive growth in recent years.

Pentafour Software said its sales rose 85 per cent to Rs5.3bn, with 97 per cent from exports. Multimedia work, including animation for Hollywood studios, accounted for 54 per cent, with the balance software exports.

"Pentafour has rooted itself as a niche player in the multimedia and business software segment," said V. Chandrasekaran, chairman. He said the company would build its overseas presence through joint ventures and acquisitions.

Pentafour has current orders worth $149m to be executed over the next 15 months. The company announced a 1-for-1 bonus share issue.

Unlike the export-oriented technology industry, India's core industrial sectors have struggled to cope with low domestic growth and weak prices.

But India's biggest cement company yesterday reported better than expected results, raising hopes of a revival in an industry plagued by overcapacity and price wars.

Associated Cement Companies (ACC), the number one producer, yesterday announced a 317 per cent leap in profits to Rs643m, boosted by an aggressive disposals programme.

The rise exaggerates the extent of the improvement in the core cement business, which analysts said was still losing money.

ACC raised Rs319m through the sale of a power plant to Tata Electric, and sold investments for Rs109m. It also wrote back provisions worth Rs403m, while making new contingency provisions worth Rs200m.

Excluding extraordinary items, ACC made a small loss, even after a Rs324m contribution from other income, due to a high interest and depreciation burden.

But at the operating level the company's performance improved significantly. Its operating margin rose 36 per cent, on the back of higher prices and more efficient use of inputs.

S. Ganguly, vice-chairman, said demand picked up strongly in the last quarter.

The increase was coming from the housing sector and not infrastructure projects, he added.

ACC would continue with non-core disposals, including land sales, and would increase its capacity from 12m tonnes to 15m tonnes in the next two years, he added.

SPH puts its cash pile to good use

The Singapore group's financial strategy has pleased investors, reports **Sheila McNulty**

Asian investor values

Singapore Press Holdings (SPH), the city state's de facto newspaper monopoly, has spent the past year courting shareholders.

Although its lead in the government-influenced media market is assured, many in the investment community believe the group has been responding to the authorities' effort to make Singapore's companies appealing to investors and more competitive.

The group's most enticing move yet has been a capital restructuring exercise late last year, which paid about S$500m (US$294m) to shareholders, or S$1.22 in cash for every share held, while reducing the issued share capital of the company by 10 per cent.

This exercise increased the return on equity of the group from 10.6 per cent to 12.8 per cent.

Soon after, Lim Kim San, executive chairman of SPH, said the group would reduce its portfolio of investments and divest its non-core properties in response to the regional economic crisis, while group directors would take a 10 per cent fee cut to complement salary reductions agreed to by senior executive management.

But, he insisted, "There will be no cut in dividends to shareholders."

SPH, one of the biggest companies on Singapore's stock exchange, has always been well regarded by long-term investors. But now everyone is watching it closely.

SPH shares have soared from their lows in October, when the market bottomed, to S$23.60 yesterday on intermittent rumours of further pay-outs from a cash pile of about S$1bn.

"SPH has been on a straight line up since then," says Elizabeth Cheng, analyst at ABN Amro Hoare Govett Securities. "They are a cash-generating machine."

That does not mean SPH has not been affected by the crisis.

As the economy slowed to 1.5 per cent last year, from 8 per cent in 1997, the amount of cash SPH was able to generate was bound to be reduced.

The group's turnover dropped 15.1 per cent to S$402.2m for the first half ended February 28 1999 and net profit plunged 17.8 per cent to S$139.7m. Earnings per share slid from 42 cents to 37 cents, but the interim dividend was maintained at 12 cents.

But SPH's bottom line is bound to improve: it has a protective hold on the newspaper market, which is well positioned to take advantage of the emerging economic recovery.

As various sectors revive, they will increase advertising in the dozen newspapers that SPH publishes, including recruitment ads in The Straits Times, the prime place in which Singaporeans search for jobs.

Kaushik Shridharani, analyst at Salomon Smith Barney, worries, however, about the future of SPH. He expects television to affect the group's performance as choices widen and advertising budgets are reallocated accordingly.

He points to the recent launch of Channel News Asia in Singapore as foreshadowing what is likely to happen in the next year as more digital TV operators launch or announce Singapore operations, and cable extends its reach.

"That will be something SPH will eventually have to contend with. But, for now, analysts agree its primary problem is having too much cash.

"That's a nice problem they have," Ms Cheng says.

The group has pledged to contain it by not simply stockpiling but rather putting its cash to good use, even if that means returning more of it to shareholders.

Investors cannot help but be drawn in.

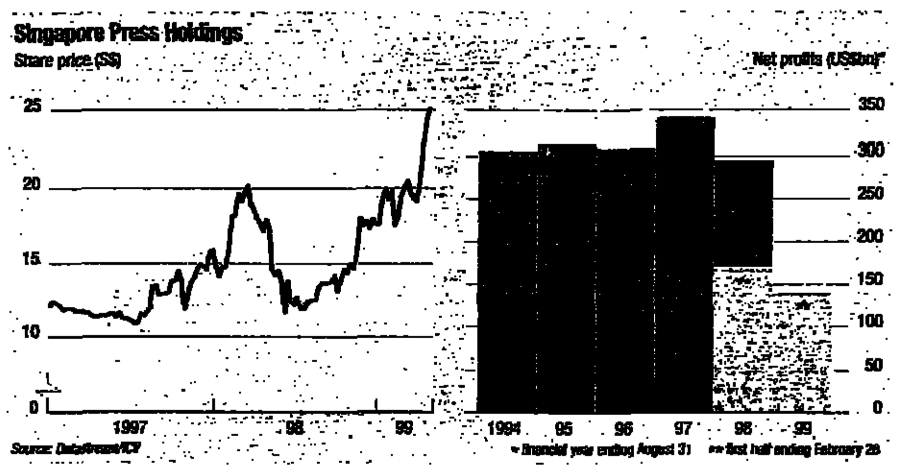
Hugh Young, managing director of Aberdeen Asset Management Asia, has only good things to say about SPH: "Supremely strong balance sheet. Extremely focused management. It's a market leader, and it's doing the right things."

Mr Lim said SPH's focus going forward remains on the best way to enhance shareholder value.

"This may be through a capital reduction scheme like the one we've just done, or through share buybacks.

"We'll also concentrate on our core businesses rather than look at investments, which we've found take up too much of our energies," he said, noting: "It's better to leave the fund management business to the fund managers."

This article is the third in a series on Asian companies which have embraced investor values. The previous articles appeared on April 22 and April 27.



Deal hits Japan Telecom shares

By Michiyo Nakamoto in Tokyo

Japan Telecom's shares yesterday suffered a 6 per cent fall following the announcement that AT&T had agreed a link with its domestic rival, NTT.

Shares of Japan's long-distance telephone carrier closed at Y1.71m after AT&T, which will become a significant shareholder in Japan Telecom, said it was forming an alliance with NTT in the rapidly growing managed network services.

The alliance with NTT, which is the dominant carrier in Japan and a formidable rival for Japan Telecom, could lead to the formation of a joint venture company.

The announcement came just two days after AT&T said it would spend Y220bn ($1.83bn) together with British Telecommunications of the UK, to take a 30 per cent stake in Japan Telecom.

The two companies will also integrate their operations in Japan with those of Japan Telecom.

However, news of the alliance between AT&T and NTT raised questions about AT&T's commitment to Japan Telecom and fuelled concerns about Japan Telecom's strategy.

The US company said the link with NTT was in a relatively narrow sector that would not overlap with the more general infrastructure business it will be involved in with Japan Telecom.

Nevertheless, Japan Telecom will be competing with NTT to provide the lines for the new service AT&T will establish with NTT.

Meanwhile Japan Telecom yesterday said it expected profits for the year to March this year to be substantially higher than initially forecast thanks to strong performance of its mobile communications operations.

The carrier said that pre-tax profits were expected to be Y21.5bn, rather than the previously forecast Y13.1bn.

● NTT Docomo, Japan's largest mobile phone operator, said it would carry out a 5-for-1 stock split of its common shares on June 30 1999.

NTT Docomo said its aim was to lower the price of each share to attract more investors and increase the liquidity of its stocks. As a result of the stock split, the number of shares is to rise to more than 9.58m.

StanChart to lift Thai bank stake

By George Graham in London and William Barnes in Bangkok

Standard Chartered's stake in Nakornthon Bank will rise above 75 per cent in five years, under a complex deal to recapitalise the Thai bank announced yesterday.

Nakornthon, which like other Thai banks has seen its capital base wiped out by a mounting burden of loan losses, will initially write down its shares and seek support from the government to bring its net asset value back to zero.

The Financial Institutions Development Fund, the bail-out arm of the Bank of Thailand, will put in Bt13.3bn ($353m) in exchange for convertible preference shares.

Standard Chartered, based in London, will initially inject about £95m ($153.5m), taking a 68 per cent stake and management control. After five years, it will buy the shares and warrants held by the FIDF, taking its stake above 75 per cent and possibly to 82 per cent.

Existing shareholders, including the founding Wanglee family, will see their equity in the 66-year-old bank virtually wiped out. They will retain only the right to pay a total of Bt800m for the equivalent of 11.6 per cent of the equity.

Vorawee Wanglee, the patriarch of the founding family, said modern banking required too much capital, too much global exposure and too much technology for a relatively small business group like his own.

He said the family's stake would be reduced from about 11 per cent to 2-3 per cent.

The acquisition is not expected to contribute to Standard Chartered's profits for three years, but Rana Talwar, group chief executive, said Nakornthon gave the bank an excellent 68-branch network through which to distribute its consumer and corporate banking products.

Deutsche Bank, advisers to the Thai bank, said that out of 28 approaches from potential purchasers, about 12 appeared serious about acquiring a Thai bank.

This suggests that bidding for the half dozen banks in state hands may be keener than anticipated.

Standard Chartered was advised by Schroders.

● Siam Cement, Thailand's biggest industrial conglomerate, was hit by declines in sales, and posted a Bt1.17bn net loss in the first quarter, compared with a profit of Bt24.42bn a year ago.

The company said both domestic and export sales had fallen since the same period last year. However, it said that compared with the previous quarter operations were strengthening.

ITA joint venture in Germany

By Russell Baker in Sydney

Infrastructure Trust of Australia Group and Bouygues, one of Europe's largest construction companies, are to invest A$48m (US$31m) in a new toll road and tunnel in Rostock, Germany.

ITA will hold a 70 per cent stake in the joint venture to build the toll road. ITA said the development was significant because it would be the first build-own-operate transfer infrastructure project in Germany.

The toll road will have a 30-year concession period after completion, which is expected to take just over three years. Debt associated with the project will be underwritten by Deutsche Bank, Nord LB and KfW.

ITA and Bouygues are already joint venture partners in a rail project in Sydney, Australia.

Expansion boosts CTHK profits

By Louise Lucas in Hong Kong

China Telecom (Hong Kong), the listed arm of China's main telecommunications operator, saw the number of its subscribers rise last year to 6.53m from 4.28m at the end of 1997.

The company yesterday reported a sharp rise in net profits from RMB1.5bn to RMB6.9bn ($833m) as it expanded the area of operations in mainland China. Pro forma earnings before interest, tax, depreciation and amortisation rose 35 per cent to RMB13.63bn last year.

The higher-than-expected subscriber growth has prompted management to revise their capital expenditure plans. Spending will now hit RMB13.47bn this year and RMB17.29bn next year.

CTHK, which operates mobile phone networks in three of China's wealthiest provinces, is a favourite stock among foreign investors. It listed in Hong Kong in October 1997, providing foreign investors with a rare opportunity to access China's tightly-guarded telecoms sector.

However, the company's virtual monopoly is set to be eroded as Unicom, the struggling second-placed group established in 1994 to provide competition, has received greater backing from Beijing.

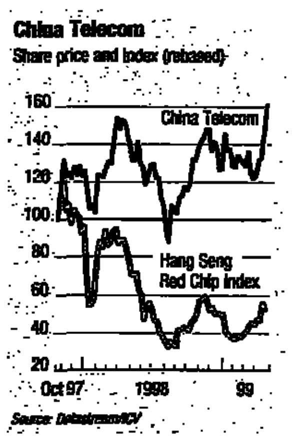
So far, there has been little evidence of a slowdown in subscriber growth – although take-up in the relatively wealthy province of Jiangsu disappointed CTHK.

Wang Xiaochu, chairman and president of CTHK, said the new environment would do little to quell growth. "The market size is sufficient to accommodate more than one operator. The experience of other countries shows competition can stimulate overall market demand."

He was equally positive on the restructuring of the parent company, state-owned China Telecom, which is to be split into four separate companies in an effort to stimulate competition. Mr Wang said this would make future acquisitions easier for CTHK.

But Dylan Tinker, regional telecoms analyst at Jardine Fleming Securities, estimates that Unicom gained 22 per cent of the new market in Guangdong, China's wealthiest province, in the second half of 1998, up from 5 per cent in 1997.

Mr Tinker says this shows Unicom is already a serious competitor, and further price wars and lower subscriber estimates can be expected.



● China Airlines, Taiwan's top carrier, predicts 1999 pre-tax earnings of T$1.72bn (US$53m) after suffering heavy losses last year, writes Mure Dickie in Taipei.

EVA Air, the number two carrier, also said earlier profit predictions for 1999 now look overly pessimistic. The revival in demand is especially welcome after a tough year caused by the regional economic crisis and customer concerns after a China Airlines aircraft crashed in February 1998, killing 202 people.

Philip Wei, finance director at China Airlines, said operating income rose 17 per cent year-on-year in the first three months to T$13.87bn. Sales were up on all routes.

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COMPANIES & FINANCE: EUROPE

TEXTILE MACHINERY COLLAPSE IN MARKET EXCEEDED MANUFACTURER'S 'WORST EXPECTATIONS'

Saurer forecasts continued fall in profits

By William Hall in Zurich

Saurer, the world's biggest textile machinery company, is forecasting a sharp fall in profits for the second year running, but says its order book is starting to recover after last year's collapse in textile machinery demand.

Saurer, which has 60 per cent of the open-end spinning systems market, has been a casualty of the problems in Asia, Russia and Latin America. Textile machinery sales fell 13 per cent in 1998, to SFr1.2bn *($796m)*, new orders fell 32 per cent, to SFr1bn, and the order backlog was halved to SFr209m.

The collapse in demand, which started in August, pushed the company into loss in the second half of 1998. In the first eight months of 1998 net income rose 41 per cent to SFr91m. But *full-year net income fell* 35 per cent, to SFr85m, and the company said yesterday that it had lost money in the first quarter of 1999.

The collapse in the market had greatly exceeded Saurer's "worst expectations" and last September the company announced plans to cut its textile machinery break-even level by a further SFr100m and cut 800 jobs, or around 13 per cent of the textile division workforce. Orders in the first quarter of 1999 were 10 per cent up on the last quarter of 1998 but more than a fifth below last year's comparable quarter.

Ernst Thomke, Switzerland's best-known company doctor, said that the nadir appear to have been passed but the weak order book would continue to have an impact on 1999 results. Christoph Bohli of Bank Sarasin estimates Saurer will earn SFr53m in 1999, while Julius Baer's Roger Birrer estimates the company will earn SFr43m. In 1997, Saurer earned SFr131.9m.

Much will depend on the customer response to June's world textile trade fair in Paris. Saurer has announced a new range of products for the event.

Many customers have been delaying placing orders ahead of the fair, which only takes place once every four years.

Although the downturn in the textile industry has taken a heavy toll on Saurer, it stressed that it had made profits of SFr85m in 1998 on sales of SFr1.7bn, compared with the last industry downturn in 1995 when it had made a SFr5m loss before restructuring charges on the same turnover.

Ernst Thomke, who has turned Sauerer around after it lost over SFr100m in 1994-95, steps down as chairman next month and will be replaced by Manfred Timmermann, a former German civil servant.

Saurer's shares closed SFr10 down at SFr870 yesterday.

Bank privatisation offers first step to Slovak recovery

Robert Anderson examines some of the challenges which may arise from restructuring

The Slovak banking sector, one of the most fragile in Europe, is at last undergoing change, with two of the three big state-controlled banks due to be privatised within a year.

The government of Mikulas Dzurinda, which took office last October, believes it is of fundamental importance to inject foreign capital and expertise into the big banks.

"The systematic solution is bank privatisation," says Ludovit Cernak, economy minister. "Restructuring the banking sector is the first inevitable step for industrial recovery."

The previous government of Vladimir Meciar feared privatisation would increase foreign control of the banking sector and stop the state using the banks to prop up struggling companies and allocate funds as political favours.

Businessmen used to sit smoking outside ministers' offices, waiting for the chance to persuade them to pick up the telephone and instruct bank chairmen to hand out loans.

"There was a very low level of knowledge about how to operate in a capitalist economy and pressure from the government to help new entrepreneurs," says Ladislav Vaskovic, the new head of VUB. His is the main commercial bank which still provides almost 30 per cent of loans. "VUB was regarded as a social institution, not a bank."

The result was that VUB, Slovenska Sporitelna, the main retail bank, and IRB, the former project finance bank, all suffered from lack of capital, underprovisioned bad loans, high operating *costs and poor profitability*. Together they represent almost half the country's banking sector assets

In September last year the three banks had an average capital adequacy of 4.4 per cent, compared with the minimum requirement of 8 per cent, and this had fallen from 6.7 per cent at the end of 1997.

Interest was more than a year overdue on almost a quarter of their loans and together they showed Sk15.4bn ($365m) in uncovered losses, up by half since the end of 1997. Moreover this figure would increase by around Sk39bn if provisioning rules were tightened to exclude collateral.

IRB, which was then in private hands, had to be taken over by the central bank in December 1997 after a *liquidity crisis. The other* two banks are still afloat only because they are state-controlled and are regarded as too big to allow to fail.

Last summer Moody's said the level of irregular loans was "among the highest among central European countries, with the trend showing little improvement", while Standard & Poor's warned that there was a high potential for a banking crisis.

Both rating agencies highlighted the weakness of the banking sector as a factor in Slovakia's loss of investment grade last year.

The new government has *installed different management* in VUB and Slovenska Sporitelna and intends to sell IRB this year and VUB in the first half of 2000. Slovenska Sporitelna, which as a retail bank is much more politically sensitive, will stay in state hands until 2003.

An audit of IRB, which made a Sk2.8bn loss in the first three-quarters of last year, should be sent to prospective buyers this week, while a plan for the restructuring and sale of the state's 51 per cent stake in VUB should be announced soon after.

"There seems to be an urgency about the privatisation of the banks," says Jan Hillered, head of ING Barings in Bratislava.

Part of this urgency is that *the condition of the banks* continues to deteriorate as the economic downturn and high interest rates turn more loans bad. At the same time, foreign banks cream off blue-chip clients and high-earning retail customers.

VUB expects to report a loss of up to Sk4bn last year compared with Sk48m in 1997. Slovenska Sporitelna made a preliminary net profit of Sk88.5m but its share of the retail market has fallen to around 50 per cent.

Another reason for urgency is that the banking sector's problems mean that companies find it difficult to get Slovak crown loans of *more than six months and* real interest rates are around 20 per cent. This is finally forcing some to restructure, notably the VSZ steel group, the country's biggest industrial company. But it is also hurting many efficient small and medium-sized enterprises.

In order to smooth the way for banking privatisation, the government will later this year announce a plan to help some of these struggling companies. "The question of financial *restructuring of companies* is very much connected with the question of restructuring the banks' portfolios," says Brigita Schmoegnerova, min*ister of finance*.

At the same time it is preparing legal changes which will make it easier for banks to collect collateral and force companies into insolvency.

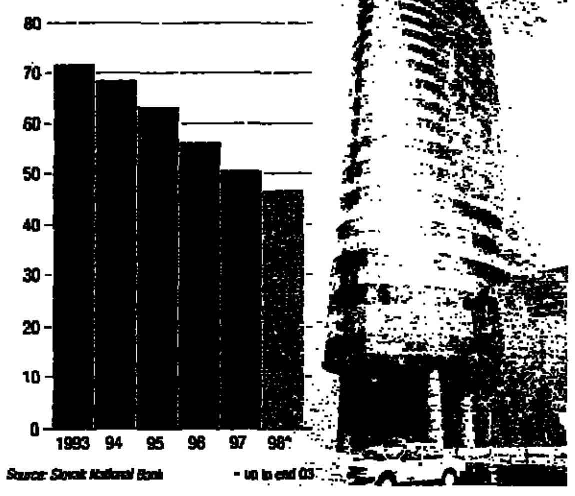
The big questions that remain are how the government will afford to clean up the banks at a time of budget austerity. Fitch IBCA, the rating agency, has estimated it would cost 10 per cent of GDP. And how ready it is to suffer the political consequences of a wave of insolvencies?

IMF mission suggests more sell-offs

Maria Machova, Slovak *privatisation minister, said* yesterday that the government would discuss a proposal next week that would increase the number of companies up for privatisation, **Reuters reports from Bratislava.**

Ms Machova said an amendment had been drafted which would reduce the number of companies designated as "strategic" to include only energy production and distribution firms. *All others could be* considered for privatisation. The proposal follows a suggestion from an International Monetary Fund mission to Slovakia, which suggested more companies could be privatised. Ms Machova did not name any companies but she said small stakes could be sold off quickly but that bigger ones would take several months to organise.

Reforming at last
Assets of Slovenska Sporitelna, Vseobecna Uverova Banka, Investicna Rozvojova Banka
(% of banking sector assets)



Source: Slovak National Bank   * up to end Q3

Nordic bank lifts earnings

By Tim Burt in Stockholm

MeritaNordbanken, the largest bank in the Nordic region, yesterday reported a sharp increase in underlying first-quarter figures after enjoying the twin benefits of falling operating costs and rising demand in asset management.

The bank, the product of the 1997 merger of Finland's Merita and Nordbanken of Sweden, said operating profits rose 23 per cent to €375m ($399m) even though interest income dipped from €455m to €448m in the first three months of the year.

Hans Dalborg, chief executive, said total income had increased from €747m to €755m while expenses and loan losses declined.

The benefits of last year's restructuring helped reduce administrative expenses by 14 per cent *to €117m. Loan* losses halved to €20m.

"Although interest income was below most market estimates, the cost base has come down substantially," said one banking analyst in Stockholm.

Net commission income rose 7 per cent to €181m.

The bank admitted that its mortgage lending business in Finland had been affected by intense competition, but said rising volumes had offset lower margins on deposits. Profits in retail banking reached €198m. Meanwhile, increased sales and volumes in asset management contributed to profits of €34m from that division.

Of the total investment in asset management last month, MeritaNordbanken won 60 per cent of the new business in Sweden and 30 per cent in Finland. Its retail banking operations were continuing to take market share in both countries.

That helped lift return on equity – excluding one-off items – from 17.8 per cent to 22.4 per cent.

Underlying earnings per *share in Merita rose from* €0.11 to €0.13, and from SKr0.96 to SKr1.20 for Nordbanken. In Stockholm, Nordbanken shares rose SKr1 to SKr53. In Helsinki, Merita shares rose 3.5 per cent to €5.65.

Carlsberg in Lithuanian buy

By Clare MacCarthy in Copenhagen

Carlsberg, the Danish brewer, yesterday acquired a 95 per cent controlling interest in a leading Lithuanian brewer, AB Svyturys, for *DKr315m ($45m)*.

Svyturys is the market leader in the Lithuanian beer market, with annual sales of 350,000 hectolitres and a market share of 26 per cent. Carlsberg purchased the shares mostly from employees who took ownership when the company was privatised in 1993.

Carlsberg's entry into the Lithuanian market comes on the heels of a big expansion in Korea, amid Danish media speculation that further substantial investments in the Far East are planned. Last week, Carlsberg announced an investment of US$50m in *Korea's biggest brewery*, the Hite Brewery.

Svyturys is listed on the Vilnius stock exchange, and under local market regula*tions Carlsberg must now* offer to purchase the outstanding Svyturys shares.

Lars Fellman, Carlsberg vice-president, said: "Carlsberg sees the Svyturys investment as an entry into the Baltic beer market, which has a size of 3m hectolitres a year for Estonia, Latvia and Lithuania."

The Danish newspaper Jyllands-Posten said yesterday that Carlsberg was negotiating construction of a DKr1.5bn brewery in Thailand.

HEALTH INSURANCE GROUP'S SHARES STAGE STRONG RECOVERY AS FIRST-QUARTER RESULTS REFLECT STEADY GROWTH

Aetna rallies after earnings rise by 15%

By John Authers in New York

Shares in Aetna, the US health insurance and financial services group, enjoyed a sharp rally on Wall Street yesterday as it announced a 15 per cent rise in operating earnings on the back of a 23 per cent increase in revenue.

By mid-session, the shares were up 6 per cent, gaining $\$4\frac{3}{4}$ for the day to $\$86\frac{1}{2}$. This represents a strong recovery after the shares hit $60 during the Russian financial crisis last August. But the company remains far below the high of more than $116 which it recorded in 1997.

It made two successive profits warnings in late 1997 after its $9bn acquisition of US Healthcare, the largest US health management organisation, and this led to a sharp backlash from investors.

Despite this, the company bought NYLCare, the health management organisation of New York Life, early last year and said yesterday it hoped to complete its acquisition of Prudential HealthCare from Prudential Insurance of America during this quarter.

The first-quarter results appeared to show that the healthcare business was now growing steadily.

Operating earnings in the healthcare business, excluding Y2K costs, rose from $110.5m in the first quarter last year to $133.5m, mainly due to the addition of the NYLCare business.

Its medical loss ratio, a key measure of its efficiency in limiting its payments to providers, improved to 82.0 per cent, from 82.7 per cent a year earlier.

Loss ratios in its Medicare business, which involves organising care for elderly people ultimately insured by the government, showed the strongest improvement, moving from 92.8 to 90.1 per cent.

Its retirement services division, which primarily manages pension funds, recorded 30 per cent earnings growth, with operating profits increasing from $40.8m to $53.0m.

Aetna International saw operating earnings increase by 22 per cent to $45.6m. It continued its aggressive expansion into emerging markets, buying a large private healthcare company in Argentina and launching a joint venture to sell pensions in Poland during the quarter.

It also announced the sale of its Canadian business, with the intention of redirecting capital to emerging markets. This continued Aetna's strategy of leaving developed markets, with its western European operations already sold.

Bowater to cut newsprint production

By Edward Alden in Toronto

Bowater, the second largest newsprint maker in North America, said yesterday it would cut production this year by an additional 75,000 tonnes, roughly 2.5 per cent of its annual production.

The announcement came despite the company's better-than-expected first-quarter earnings from operations of US$19.2m, down 8 per cent from the same period in 1998.

The cutbacks will reduce Bowater's production by 125,000 tonnes in the first half of this year, and follows similar cutbacks by Abitibi-Consolidated, the world's largest newsprint producer, and Donohue, another big producer.

Newsprint prices have fallen by almost 10 per cent over the past year as demand in Asia has failed to recover sufficiently to compensate for growing world production, particularly resulting from the end of a five-month strike at Abitibi.

Falling prices have put all the large newsprint producers under pressure to cut costs in order to maintain earnings until prices turn around.

Earlier this week Abitibi reported that earnings from continuing operations fell almost 90 per cent in the first quarter to C$9m (US$6m), or 5 cents a share, from C$75m, or 38 cents, previously.

Abitibi has shut 170,000 tonnes of capacity in Canada this year and temporarily idled another 50,000 tonnes. The company also said it would take a C$80m restructuring charge on plans announced last week to shed 10 per cent of its workforce, about 1,300 jobs, by the end of 2000. Those reductions are expected to produce about C$100m in savings.

Estimates vary on how much more production needs to be removed to stabilise falling prices. John Weaver, Abitibi chief executive, said at the company's annual meeting in Montreal on Tuesday that there was still 500,000 tonnes of excess supply in North America.

But Don Roberts, senior forestry analyst with CIBC Wood Gundy, the Canadian brokerage, estimates that another 200,000 tonnes in cutbacks would bring supply and demand into balance. "The critical question now is whether prices have reached the bottom. We think we're real close to it."

The difficulties for newsprint producers, located primarily in eastern Canada, contrast with an improving outlook for western Canadian lumber producers.

MacMillan Bloedel reported a 69 per cent increase in operating earnings in the first quarter, benefiting from a cost-cutting programme and a firmer export market for lumber.

It has led Canada's troubled west coast forest industry in selling off non-core assets and restructuring in the face of weak prices and costlier timber supplies.

Most analysts now see better prospects for the industry, which has suffered large losses in the past two years. Lumber prices in the US and Japan are up 10 per cent on a year ago.

M&S to close all 38 stores in Canada

By Richard Tomkins

Marks & Spencer, once considered the British retailer most likely to succeed overseas, yesterday announced plans to close all 38 M&S stores in Canada with the loss of about 900 jobs.

The move ends a 25-year effort to establish the Marks & Spencer brand in North America and represents a setback to its hopes of becoming a global retailer.

It also raises questions about the prospects for M&S's two remaining operations in the US: the Brooks Brothers clothing chain and the Kings Super Markets food stores.

M&S said it was pulling out of Canada after sustaining losses there in 24 of the past 25 years.

In the year to March 1998, M&S Canada incurred operating losses of £8.3m ($13.4m) on revenues of £44.3m.

The decision came as part of a strategic review launched in January after the company delivered a surprise profit warning.

M&S said the closures were expected to cost about £25m, excluding goodwill already written off.

M&S blamed its inability to make profits in Canada on tough competition in the local retail market.

In the last few years, this has been intensified by the arrival and rapid growth of Wal-Mart Stores, the US discount store operator that is by far the world's biggest retailer.

M&S's retrenchment also highlights the difficulties retailers face in trying to export successful retailing formulae to other countries where retailing cultures differ and new entrants lack economies of scale.

M&S opened in Canada in 1973 and later traded under three different names – Marks & Spencer, D'Allaird's and Peoples – before selling the Peoples chain in 1992 and the D'Allaird's chain in 1996.

In the past two years, the number of M&S stores had been cut from 47 to 38. M&S said the rest would close during the current financial year.

Brooks Brothers and Kings Super Markets both made modest profits last year, but they have never achieved a satisfactory return and analysts think it likely that M&S will attempt to sell them.

M&S said it had no present plans to do so: indeed, it was about to open a new Brooks Brothers flagship store on New York's Fifth Avenue in May.

"Having said that, the business is undertaking a strategic review, and all areas are being looked at," it added.

Outside the UK and North America, M&S had 133 owned and franchised stores in Europe, the Middle East and Asia Pacific at March 31 1998.

Pigs could fly in cyberspace auction

A Canadian auctioneer is planning to bring livestock sales from around the world to the internet, writes **Scott Morrison**

Shane Maine's company is trying to sell cows in cyberspace. If all goes well, e-Auction Global Trading, the Canadian internet auction group that he heads, plans to sell pigs and sheep as well.

In another innovation in internet commerce, e-Auction is trying to establish itself in the growing online commodities auctions market, linking businesses electronically to their supply chain.

The energy sector accounted for most of the estimated US$5bn worth of commodities traded via internet auctions in 1998. Technology forecasters such as Forrester Research, the US group, see the internet commodities auction market expanding to as much as US$52bn by 2002. e-Auction believes it can carve out a niche within that market by focusing on the largely low-tech agri-business sector.

Satellite and electronic auctions, conducted over costly, closed networks, have been held in North America for about two decades. e-Auction was founded last year by consolidating two small Canadian firms providing technology that enabled the Ontario Livestock Exchange to conduct such electronic auctions.

By adopting new internet protocol technology, the Nasdaq-listed company expects in the next month or two to conduct the world's first real-time livestock auction over the worldwide web.

David Beck, a technology analyst at TD Securities, says e-Auction is one of the "new intermediaries" that aim to set up targeted gateways on the internet to consolidate market information, allow customers to learn about vendors, products and services within the sector and link buyers to sellers.

e-Auction would also go into partnership with reputable livestock auction houses. That would enable it to leverage the reputation of a partner such as the OLE, which has long-established relationships with ranchers and meat packers. Agents from the auction houses would inspect and grade cattle before they are offered for auction.

Livestock assessment data would then be entered into the server operated by e-Auction and an online auction would be scheduled. The server would call up pre-arranged auction lots at the appropriate time and customers could bid in real time. Once the highest bidder was established, the server would bring up the next lot.

Following bidding, the server would release an auction report, advise vendors about transportation arrangements and arrange financial settlements. During the on-line auction, the company's financing arm would also provide value-added services such as foreign exchange.

Mr Maine sums up the efficiencies by pointing out that 100 people would take 13 hours to sell 2,500 cattle at a live auction. The same number of cows can be sold electronically by three people in 90 minutes, he says.

A nose for a deal: cows are already being sold electronically AP

Using the internet would enable auction participants to save on infrastructure costs, transportation expenses, as well as losses from shrinkage – the estimated 10 per cent of mass that cows lose in transit.

Mr Beck estimates that e-Auction, which had 1998 revenues of C$4.9m (US$3.3m) on trades of C$200m, could quickly manage more than C$1bn in internet cattle trades should it gain a handful of additional customers from among Ontario's 38 livestock exchanges.

Mr Maine would like further growth through partnerships with US auction houses. Other opportunities were expected to emerge after the company's recent announcement that it had signed letters of intent to conduct internet livestock auctions in Europe, Africa, Australia and New Zealand.

e-Auction is seen to have strong growth prospects, with revenues from trading commissions, foreign exchange, financial settlement and transportation services reaching C$42m in 2000.

The company hopes to apply its technology to auctions for other goods, such as other livestock, grains and even vehicles.

Jim Wideman, who set up the OLE's electronic auction system in 1982, says e-Auction's greatest challenge will be to convince members of what is regarded as a conservative industry to move beyond the traditional methods of doing business.

Another uncertainty is whether a competitor, possibly from the US, might emerge to challenge e-Auction.

NEWS DIGEST

AUTOMOTIVE ENGINES

Detroit Diesel bids for DaimlerChrysler stake

Detroit Diesel, the US manufacturer of heavy-duty and automotive diesel engines, said yesterday it had offered to buy back the 20 per cent stake DaimlerChrysler, the German-American group, owns in the company, and stressed that it wanted to remain independent. The buy-back offer follows comments last month from Juergen Schrempp, DaimlerChrysler co-chairman, that his company would "very much like to acquire" the whole of Detroit Diesel or a majority stake. Shares in the Michigan-based group, which rose in the wake of Mr Schrempp's remarks, eased $\$\frac{5}{16}$ to $\$24\frac{3}{16}$ yesterday. At the outset, Mr Schrempp had stressed that DaimlerChrysler was not prepared to pay "any price" and that no agreement had been reached.

Detroit Diesel said it was not aware of any response from the larger company to the buy-back offer, and there was no immediate comment from DaimlerChrysler.

A bigger shareholder in Detroit is the privately-held Penske group, chaired by Roger Penske, which encompasses a range of automotive and transportation-related interests and has annual sales of about $6bn.

, ***Nikki Tait, Chicago***

VW results, Page 20

RJR NABISCO

Icahn abandons revolt

Carl Icahn has dropped his third attempt to whip up a shareholder revolt at RJR Nabisco, marking the end of what could be his final run at the tobacco and foods group.

The veteran corporate raider conceded defeat late on Tuesday, six weeks after proposing his own slate of directors to run the company. The withdrawal had been expected, since most shareholders have been appeased by the company's own plan for splitting its tobacco and food interests and Mr Icahn's proposal had won little backing.

Mr Icahn had argued that Steve Goldstone, RJR chief executive, should spin off Nabisco, keeping its tobacco interests, since this would help to protect Nabisco's assets from tobacco-related legal claims.

Mr Goldstone, for his part, has claimed that this is not legally possible, since it would represent a fraudulent attempt to shift assets out of reach of lawsuits. Instead, he has moved ahead with a plan to spin off the group's tobacco business.

Mr Icahn, who owns 7.9 per cent of RJR Nabisco, did not indicate whether he now plans to sell his stake in the company, but said in a statement that he "wishes [Mr Goldstone] success in his efforts to build shareholder value". **Richard Waters, New York**

TELECOMMUNICATIONS

BCE tumbles into the red

Acquisition costs at its Nortel unit and lower long-distance revenues led to first-quarter net losses of C$115m (US$77.7m), or 18 cents a share, at BCE, Canada's largest telecommunications group. This compared with profits of C$174m, or 27 cents, last time. The loss was primarily due to Nortel's US$7bn purchase of Bay Networks.

Excluding the unspecified Nortel acquisition costs, operating earnings rose to an expected C$367m, or 57 cents, compared with C$315m, or 50 cents. Revenues rose 7 per cent to C$3.5bn, excluding Nortel's revenue in the first quarters of 1998 and 1999. Nortel's results are no longer consolidated since BCE's stake fell to 41 per cent post-Bay.

Revenue at the Bell Canada unit, the country's largest telecoms service provider, fell from C$2.6bn to C$2.5bn as lower long-distance prices resulted in a 9 per cent drop in long-distance and network services revenues. That was offset by higher local-service revenues, a 16 per cent increase in data services revenues and lower costs, enabling Bell Canada to increase its quarterly earnings contribution by 3 per cent to C$323m. BCE continued to record losses at its wireless, media, e-commerce and international operations. **Scott Morrison, Toronto**

Infinity may join internet

By Christopher Parkes in Los Angeles

Infinity Broadcasting, a leading US radio group, may soon join the rush to broadcast over the internet, Mel Karmazin, chairman and chief executive, said yesterday.

The company, which owns 160 stations and TDI, the outdoor advertising group, is considering a web-based subscription service to its stations and popular programmes such as Howard Stern's talk show.

Mr Karmazin, speaking to analysts, also said investors should expect more internet announcements from Infinity and CBS, the television network which owns 82 per cent of its stock.

In recent weeks CBS has taken stakes in several internet businesses, including Hollywood.com, devoted to entertainment, and retailer Storerunner.com. Most recently it acquired 33.3 per cent of Office.com, which provides services for small and medium-sized businesses.

Mr Karmazin's comments came during a teleconference discussing a 52 per cent rise to $48m in first-quarter profits, which the company attributed in part to strong sales of advertising to internet companies.

Radio, with a large audience among the young, and captive listeners during commuting, is widely considered a key medium for promoting internet services.

Infinity's revenues rose 44 per cent to $474m in the quarter.

However, the increase was only 16 per cent after excluding the effects of the acquisition of American Radio Systems. Operating income rose 53 per cent to $98m.

Infinity shares have performed strongly since CBS sold 17 per cent of the company in an initial public offering last December, raising almost $3bn.

Beating analysts' profit predictions of 5 cents a share with earnings of 6 cents, Infinity reported growth in both radio and billboard advertising, and said it expected strong growth to continue for the rest of the year and beyond.

Wal-Mart scotches talk of entry to UK market

By Peggy Hollinger

Wal-Mart, the world's largest retailer with annual sales of $138bn, yesterday put paid to speculation that it planned to come to the UK in the near future, saying it would not be in shareholders' interests.

Moreover, the group said fears about a radical change in the landscape of European retailing as a result of its arrival on the continent were "overstated".

Jay Fitzsimmons, senior vice president and treasurer of the general merchandise retailer, said UK retail margins were too high to make an acquisition attractive.

"In the UK, eventually, margins will move closer to the levels in the rest of Europe. And if you buy a company with high margins which then fall, it will be difficult to make it work for shareholders."

In the near-term, he said, Wal-Mart was "not contemplating an investment". However, the group would remain opportunistic about potential targets.

But Mr Fitzsimmons stressed that the main driver for growth in Wal-Mart would come from expanding international operations. He said the group expected sales of some $16bn this year internationally, up from $12.2bn.

His comments, made at the Goldman Sachs international retailing conference in London, will come as a relief to the UK retailers, Kingfisher and Asda, which recently announced plans for a £17bn ($27.5bn) merger.

Speculation that Wal-Mart would launch a rival bid for the UK's third largest supermarket group had depressed Kingfisher's share price in the days following the announcement.

Wal-Mart's comments are likely to disappoint the UK government, which has been keen to encourage it as part of its attempt to reduce price differentials between the UK and the US on consumer goods.

Wal-Mart's buying power is regarded as a significant advantage, allowing it to sell products in the US at prices even lower than those at which many European retailers can buy from suppliers.

Wal-Mart's arrival in Germany more than a year ago, through the acquisition of Wertkauf hypermarkets, has already sparked the beginnings of retail consolidation in Europe. Karstadt and Quelle of Germany joined forces last week to create one of the world's largest mail-order businesses, while Cora and Casino of France have pooled their purchasing to cut costs.

Although Mr Fitzsimmons stressed the difficulties of cross-border expansion and said global buying opportunities were not as significant as popularly believed, retailers face a real threat from the group's traditional approach to new markets.

In Canada, Wal-Mart became one of the few successful foreign retailers by cutting prices dramatically, even though it hit gross margins. This increased volume and productivity, said Mr Fitzsimmons, and the business is now the group's most profitable operation.

Realignment at TRW

By Nikki Tait in Chicago

TRW, the Cleveland-based manufacturing group which recently acquired LucasVarity of the UK, said yesterday that it did not intend to split into separate automotive and aerospace companies in the short term.

Instead, it announced a management realignment that will establish two core divisions within the parent group.

The idea that TRW might spin off one of its main business units as a separate entity surfaced last year, before the $7bn LucasVarity deal. That transaction made TRW one of the largest independent suppliers of automotive parts. . But it has also been blamed for a plunge in the company's share price, from around $60 at the start of 1999 to just over $42 at present.

While confirming that the business would continue to take in the two divisions for the immediate future, the company said it still planned a series of disposals. These are expected to involve units from both sides of the business.

Under yesterday's realignment, the new TRW automotive division will incorporate both the existing TRW automotive operations and those acquired as part of LucasVarity. Jim Remick, who headed the existing business, will keep this role, becoming executive vice-president and general manager. John Plant, the current president of LucasVarity Automotive, will continue to head the former UK company's automotive units, with a similar job title.

But TRW aims to bring in a new president and chief operating officer for the overall automotive division.

The aerospace operation will be headed by Ronald Sugar, who will be responsible for integrating the former Lucas Aerospace business into the combined group.

● **Federal-Mogul**, another acquisitive US automotive parts supplier which snapped up Britain's T&N, yesterday reported after-tax profits of $75m, or 96 cents a share, in the first quarter of 1999, on sales of $1.64bn.

A year ago, it made $29m, or 63 cents. The result was a cent better than average market forecasts, but Federal-Mogul's shares, also battered recently, fell $\$2\frac{11}{16}$ to $\$47\frac{7}{8}$.

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Panafon Global co-ordinator & sole bookrunner	US$695m December '98
NTT4 Joint global co-ordinator & joint bookrunner	US$7.3bn December '98
Telekom Austria Sole financial advisor	US$2.4bn December '98
Sprint PCS Joint global co-ordinator & joint bookrunner	US$702m February '99

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great things are possible.

PENDING $741,000,000 AOR AMERICAN ONCOLOGY RESOURCES, INC. HAS AGREED TO MERGE WITH PHYSICIANS RELIANCE NETWORK, INC.	APRIL 1999 £109,000,000 AMEC AMEC PLC SALE OF FAIRCLOUGH HOMES TO CENTEX CORPORATION	APRIL 1999 £375,000,000 THE FLEMING INCOME & GROWTH INVESTMENT TRUST PLC CAPITAL REORGANISATION	APRIL 1999 £138,000,000 MILLENNIUM & COPTHORNE HOTELS MILLENNIUM & COPTHORNE HOTELS PLC RIGHTS ISSUE	APRIL 1999 £81,000,000 sage THE SAGE GROUP PLC HAS ACQUIRED TETRA PLC
APRIL 1999 £123,000,000 WASTE RECYCLING GROUP PLC HAS ACQUIRED 3C HOLDINGS LIMITED	MARCH 1999 €433,000,000 ACCOR ACCOR SA BOND OFFERING, CONVERTIBLE INTO SHARES OF COMPASS GROUP	MARCH 1999 $98,000,000 autobytel.com AUTOBYTEL.COM INC. INITIAL PUBLIC OFFERING	MARCH 1999 £152,000,000 THE BOOTS COMPANY THE BOOTS COMPANY PLC SHARE PURCHASE PROGRAMME FOR BOOTS EMPLOYEE SHARE OPTIONS SCHEME	MARCH 1999 £2,200,000,000 CANARY WHARF CANARY WHARF GROUP PLC INITIAL PUBLIC OFFERING
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APRIL 29, 1999

Bankers Trust
Architects of Value

Fury erupts over BCI merger stance

By Paul Betts in Milan

The deep split inside Banca Commerciale Italiana over its merger plans yesterday erupted with fury at the bank's annual shareholders' meeting with board members and shareholders trading insults and an attempt to force the bank's two chief executives to step down.

Pierfrancesco Saviotti and Alberto Abelli, joint chief executives, came under attack from shareholders and board members siding with Mediobanca, the Milan investment bank, for backing the bid from UniCredito Italiano, BCI's Milan rival.

Although BCI owns 8.8 per cent of Mediobanca, the investment bank has traditionally pulled the strings of power in the large commercial bank through its 12 per cent stake in Assicurazioni Generali, Italy's leading insurer and 5 per cent shareholder of BCI.

After failing to push through a merger between BCI and Banca di Roma, Mediobanca has been fighting furiously to prevent BCI linking up with UniCredito because it fears the deal would undermine its influence and independence.

UniCredito also owns 8.8 per cent of Mediobanca but has long detached itself from the Mediobanca fold.

A shareholder accused the BCI chief executives of hiring Merrill Lynch as the bank's adviser without board approval immediately after BCI abandoned merger talks with Banca di Roma last month and just before UniCredito launched its merger bid.

The suspicion was that the two chief executives were already plotting a merger with UniCredito, a deal which has won widespread approval in the markets.

Opponents of the UniCredito bid also objected to Merrill's role because the US bank had earlier advised UniCredito when the enlarged bank was constituted through the merger of Credito Italiano and three north Italian savings banks.

But the two chief executives have shown remarkable determination to defend what they consider are the bank's best interests and have been prepared to resist Mediobanca's pressure.

At one stage, two board members asked Luigi Lucchini, BCI chairman, to defend publicly the two chief executives.

Mr Lucchini, whose own mandate was due for renewal last night, said the issue would be dealt with by the board immediately after the shareholders' meeting.

The board, whose meeting last night was likely to be as stormy as the shareholders' meeting, was also expected to consider a rival merger proposal from Banca Intesa, Italy's third largest bank.

Giovanni Bazoli, Intesa chairman, indicated his group had been prepared to bid for BCI but had decided to withdraw the offer while the BCI board was considering the UniCredito proposal. However, Intesa indicated it would be prepared to return to the fray if BCI rejected UniCredito's bid.

The old guard rears its head once more

Italy's business renaissance comes to a halt, **writes Paul Betts**

The springtime of Italian capitalism looks suspiciously like turning into deep winter. Barely four weeks ago it seemed the country was on the threshold of a financial and business renaissance.

"We are back in the Dark Ages," a veteran Milan investment banker said yesterday.

Italy's entry into European monetary union, globalisation of finance and industry, widespread privatisation of the country's banking, industry and stock exchange, along with new corporate governance rules and financial regulations, all appeared to have set the stage for a revolution in business attitudes and culture.

The optimists expected all these changes to sweep away the old Italian way of capitalism. It was a system combining benevolent government interventionism with a network of cosy relationships between big groups and a handful of powerful individuals.

Telecom Italia, the subject two years ago of the so-called "mother of all privatisations", suddenly found itself at the end of February the target of the "mother of all takeovers" in a country unaccustomed to hostile bids, let alone US-style highly leveraged raids.

A few weeks later, one of Europe's most fragmented and inefficient banking sectors woke up to discover that two of the country's largest banks were launching simultaneous merger bids for two other big Italian banks.

"We suddenly felt that our petrified forest of banks was about to blossom," said a Milan banker.

So what has gone wrong?

Far from laying down their weapons, the old networks and their political allies in Rome have fought back with a vengeance. Massimo D'Alema, the prime minister, held a succession of meetings with the main characters in the corporate melodramas.

He had lunch with Enrico Cuccia, the 92-year-old honorary chairman of Mediobanca, the secretive investment bank orchestrating the resistance against the new business order. In the last few days, he has also seen Lucio Rondelli, chairman of UniCredito, the bank trying to merge with Banca Commerciale Italiana; Cesare Geronzi, chairman of Banca di Roma which rejected the merger advances of San Paolo-IMI; Roberto Colaninno, Olivetti's chief executive and architect of the blockbuster hostile bid against Telecom Italia and Franco Bernabe, the Telecom Italia chief now trying to put together a merger with Deutsche Telekom to thwart Olivetti.

Far from moving out of the affairs of business and finance, the government now appears to have rediscovered its old role of principal and final arbiter. It will have to decide whether to clear Mr Bernabe's efforts to merge with Deutsche Telekom.

The Bank of Italy has already shown its hand. By blocking this week San Paolo-IMI's merger bid for Banca di Roma, Antonio Fazio, the central bank governor, made it clear he would not relinquish his role as master of the banking system. This role is now questioned by Luigi Spaventa, chairman of Consob, the stock market regulator.

UniCredito's merger bid for BCI is now also at risk. The two BCI joint chief executives favour the merger with its Milan rival. But part of the BCI board is opposed and is allied with Mediobanca, which regards the merger as a threat to its influence and independence.

Mediobanca has been worried by its shrinking power base. Some of its board members are demanding changes after a string of corporate fiascos and at a time when it is struggling to compete against the spreading influence of US investment banks on its patch.

Mediobanca's top management response has been twofold. After acting as the adviser to Telecom Italia's privatisation two years ago it has now switched sides to help Olivetti mount its takeover bid. "The move makes sense," said a leading Italian businessman. "Apart from making money, they want to show they are still at the centre of the action," he added.

It has also been using all its old lobbying and arm twisting powers to block the banking mergers and promote alternative deals that would strengthen its own hand.

Mediobanca's enemy is no longer Rome but Turin and the Agnelli-Fiat family, once Mediobanca's main heavyweight supporter. Since Cesare Romiti retired as Fiat's chairman and moved to Milan, Mediobanca has developed an increasingly close relationship with the Rome business and political establishment. The Agnellis and Fiat have also increasingly gone their own way, building a new power structure through their influential holdings in San Paolo-IMI and Telecom Italia.

Both in the Telecom Italia battle and the banking mergers, Mediobanca and the Agnellis are in opposing camps. "The Agnellis and Fiat have their own problems with consolidation in the car industry but Mediobanca appears to have successfully persuaded Rome and the government that they are seeking to create a new power structure in Italy," said another leading businessman.

"It is no freak occurrence," he added. "It is simply a power game and, sadly, the ultimate reshaping and modernisation of this country's financial and industrial system will remain hostage to power struggles as long as it is not equipped with the necessary instruments, such as strong pension funds and the efficient use of new regulations, to ensure that an open market can really work."

"Takeover steps (hostile)". From left, Antonio Fazio, central bank governor; Sergio Cofferati, secretary general of CGIL trade union; Luigi Spaventa, Consob chairman and Giuliano Amato, minister for institutional reform. *Corriere Della Sera*

Market pleased by Baan results

By Gordon Cramb in Amsterdam

Shares in Baan Company, the Dutch developer of business software, rallied nearly 14 per cent in Amsterdam yesterday as it produced first-quarter results which, although in the red, were above expectations.

The group also announced an order from KPN, the country's telecommunications utility, for systems to administer part of its internal business processes. The deal, to be implemented over several years, involves potentially as many as 25,000 users, Baan said.

Shares in Baan had been hit on Tuesday by reports that KLM, the Dutch airline, had cancelled a lucrative contract.

But Baan said the sole impact of this was a $2m increase in the cost of goods sold during the latest quarter.

Yesterday Baan shares added €1.10 to €9.05.

The net loss for the three months to March was $19m, compared with earnings of $2m a year earlier, when the previously fast-growing company began to be hit by management upheavals and accounting problems.

The second half of 1998 brought a downturn in its main market for enterprise resource planning software which allows companies to manage their supply chain.

This month Standard & Poor's downgraded its corporate credit rating to B plus from BB but said that moves to cut costs by 20 per cent should allow Baan to return to profit next year.

The ratings agency said at the time that Baan's cash balances at the year-end were slightly above total debt.

That picture changed in the latest quarter, however, with cash by the end of last month of just $125.3m - long-term debt was stable at $190.5m.

The company said yesterday it was seeking an increased line of credit of $75m from a consortium of banks.

Pointing to a record 600-plus new licensing deals in the quarter and a recently strengthened board, Tom Tinsley, chairman, said: "Baan Company is back as a leading player in the enterprise applications market."

Revenues at $175.8m were down 2 per cent. But of these, income from maintenance and service contracts was up 28 per cent to $110.6m. Mr Tinsley said this stemmed from an attempt to secure a "more predictable and stable revenue source".

Price pressures take toll on VW

By Uta Harnischfeger in Frankfurt

Volkswagen's first-quarter results yesterday showed that price pressures and a concentration of sales at the low-margin end of the range have started to hit Europe's largest carmaker.

Although the results were only slightly below expectations, they included a loss in Brazil, one of Volkswagen's core markets. Several banks downgraded the stock, which was heavily sold to end the day down 6.1 per cent, or €4.40, at €67.30.

Volkswagen's first-quarter sales rose 8.3 per cent from DM33.03bn to DM35.76bn (€18.3bn, $19.5bn). Sales to dealers, the best indicator of the real demand for cars, rose 7 per cent from 1.13m units to 1.21m units. The narrowing gap between sales growth and a rise in deliveries signals growing price pressures.

The average price for a Volkswagen rose 1.2 per cent in the first quarter compared to a 6.1 per cent price increase last year. Deliveries to dealers of Audi, Volkswagen's highest margin car, were down 3.2 per cent in the January-March period.

The outlook was far brighter at DaimlerChrysler where first-quarter sales rose 10 per cent to €35bn and operating profit was up 16 per cent at €2.77bn. The US-German carmaker has had slow sales of its Smart car, troubles with its A-class in Brazil and a subdued outlook for western European truck sales. However, Jürgen Schrempp, chairman, improved the full-year earnings outlook.

He said yesterday that sales would be markedly higher in 1999 than the 4 per cent rise initially forecast and operating profit would rise even further.

Mr Schrempp also said that he would reconsider the entire Smart car strategy in case the company looked unlikely to reach its goal of selling 100,000 units next year.

Although DaimlerChrysler in Europe closed down €1.45 at €94.00, most analysts were upbeat.

Alice Kytka, analyst at DG Bank in Frankfurt, said she was particularly optimistic about the results, given that the benefits of €1.3bn in synergies would not be realised until later in the year.

In sharp contrast, Volkswagen once again remained sceptical about full-year prospects.

Analysts say some of Volkswagen's new models such as the Lupo and the Bora are not doing very well and even the Beetle may be priced too aggressively in western Europe.

ING opposes offer for NIB

By Gordon Cramb in Amsterdam

A Fl 4.1bn (€1.9bn, $2bn) bid by the two biggest Dutch pension funds to take over National Investment Bank, the state-controlled industrial finance vehicle, was in trouble last night after private-sector institutions rejected the offer as too low.

ING, the largest shareholder after the government, said it would not tender its 20 per cent stake ahead of a deadline set for this afternoon. Its position won support from Fortis, the Belgo-Dutch group, and ASR, a local insurer, which together hold about 12 per cent.

The bid, unveiled on Christmas Eve by ABP and PGGM, was backed by the government - which would see its holding fall from just over 50 per cent to 15 per cent - and NIB's executive and outside directors.

It valued the tradeable A shares at €29.95 each. But through most of past month the market price has been above the offer level.

ABP and PGGM refused to increase the price on the launch of the formal offer just before Easter, and the A shares - which are thinly traded - slipped back. Ahead of the announcement by ING, they closed in Amsterdam at €29.30, down 35 euro cents on the day.

The move by ING followed the temporary withdrawal last week of Godfried van der Lugt, its chairman, as a non-executive director of NIB.

Having previously rejected suggestions that he faced a conflict of interest, he said he was stepping aside so that he could play a full part in formulating ING's view of the offer.

According to NIB's recently released annual report, however, the supervisory board had "warmly welcomed the proposal" made by the two pension funds. No reservations on price were expressed.

Last night ING insisted it did not wish to block the deal, which was strategically in the interests of all parties. But it added: "The level of the bid has not, however, been adapted to the development in the share prices of western European financial stocks since the initial announcement of the offer in December."

Winning bidders named in Iberia sale

By David White in Madrid

Spain's Caja Madrid savings bank is set to become the largest single shareholder in Iberia, the flag-carrier airline, as a result of a privatisation auction in which 30 per cent of the stock was allocated yesterday to five corporate bidders for Pta174bn (€1.05bn, $1.1bn).

The choice of core "institutional" shareholders, the second stage of a three-part privatisation, followed a deal in February in which British Airways agreed to buy 9 per cent and its partner American Airlines 1 per cent.

It came after an unexpected setback to the airline's buoyant expectations for the year, caused by a pilots' strike over the peak Easter period, a continuing unofficial work-to-rule and serious traffic congestion at Madrid and other Spanish airports.

The chaos of airport delays prompted Iberia last week to cut 16,000 flights over the remainder of the year, 6 per cent of its scheduled total, forecasting a cost of Pta10bn against this year's profits.

State holding company Sepi, which owns 95 per cent of Iberia, has pushed the date for a global stock market offering back to October, rather than June as planned.

However, Pedro Ferreras, Sepi chairman, said the air traffic controversy should not affect the flotation. None of the Spanish companies bidding to be core shareholders had changed its offer as a result of the recent problems, he said.

In addition to Caja Madrid, awarded the maximum 10 per cent, Banco Bilbao Vizcaya is to take 7.3 per cent and Logista, distribution subsidiary of tobacco group Tabacalera, 6.7 per cent. Financial services company Ahorro Corporación and leading Spanish store group El Corte Inglés were each awarded 3 per cent.

Other bids by the Argentaria bank and builder Acciona were rejected, according to Mr Ferreras, because of conditions attached to their offers. Bids totalled 1.6 times the number of shares on offer.

"The five successful bidders, which have committed themselves to retaining their holdings for between three and six years, agreed to form a joint shareholders' group with BA and American.

The price, set at the lowest level offered among the successful bidders, was the minimum asked for, and in line with that agreed by the two airline partners.

Sepi also named Merrill Lynch and the Spanish BSCH group as global co-ordinators for the public offering.

Argentaria result revives takeover talk

Argentaria, Spain's third largest bank, yesterday posted attributable first-quarter results above consensus estimates, which could revive speculation of a takeover by the larger Banco Bilbao Vizcaya group, writes **Tom Burns in Madrid.**

Net profits at Argentaria grew 17 per cent year-on-year to €128.1m ($136.4m) and the return on equity increased over the 12-month period from 12.85 per cent to 16.09 per cent.

Operating profit was up 12.8 per cent, fuelled by high recurring income results that included a 32.8 per cent surge to €150m in fee commissions and a 2.5 per cent increase in net income to €344.1m.

EU to probe telecoms merger

By Peter Norman and Neil Buckley in Brussels

Deutsche Telekom's proposed merger with Telecom Italia will be a "very big case" that "more than likely" will demand a detailed, four-month investigation by European Union regulators, the EU's competition commissioner said yesterday.

But, giving his most detailed public comments yet about the plan to create Europe's largest telecommunications group, Karel Van Miert stressed that the Commission would not "take a negative decision in principle".

There were substantial pressures on the companies from globalisation and the European single market, he said.

Among the difficulties, however, were Deutsche Telekom's partnership with France Telecom, the strong position the merged company would have on the Italian and Austrian markets and the strong positions of the merger partners on their national markets. "We will have to see what the real situation is in the markets concerned", Mr Van Miert said.

He said the Commission has yet to be formally notified on the merger plans although it expected that this would happen soon, after the two companies had signed their deal. It would then fall to the present acting Commission to vet and judge the merger.

Mr Van Miert said it was likely to require a detailed, four-month investigation, after the initial one-month probe to which all mergers which meet certain turnover thresholds are subjected.

Only about 10 per cent of merger cases go into this second, four-month phase, and it is highly unusual for Mr Van Miert to predict that a case will require an in-depth probe even before it has been formally notified.

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ENGINEERING TAKEOVER SIGNALS EXPANSION AMBITIONS AND WILL STRENGTHEN AUTOMOTIVE SYSTEMS DIVISION

TI Group bids $635m for Walbro

By Richard Rivlin

TI Group, the engineering company, yesterday launched a $635m recommended offer for Walbro Corporation, a US manufacturer of automotive fuel storage and delivery systems.

TI intends to combine Nasdaq-listed Walbro with Bundy, its fuel delivery systems group, to strengthen its automotive systems division. The combined revenues for the automotive arm in 1998 would have been about $2bn.

The UK business is offering $20 for each of Walbro's 8.7m shares in issue and the total price includes $388m of debt. There is also a $25m change of control provision, foreshadowing a payment to senior Walbro management who stay on for at least six months.

Shares in TI fell 11p to 484p on news of the deal, which came less than two months after it sold a 4.9 per cent stake to KKR, the US private equity group, for £94.4m. The sale was interpreted as proof of TI's intention to make more takeovers.

However, Sir Christopher Lewinton, chairman, said: "We have been talking to Walbro for 18 months. KKR has nothing to do with the transaction as it has only held our shares for 30 days. The deal will be funded by cash and people should view KKR's input over years and not weeks."

"TI confirmed it might consider a second listing for its shares – possibly in New York – as early as next year. Sir Christopher said: "We would like to have a full listing in New York but have no intention of changing our domicile. It needs effort, management time and cash, but is at the back of our minds."

Walbro, based in Michigan, employs 5,000 people at 28 sites in 15 countries. It had sales of $678m with profits before interest and tax of $43m in 1998.

Bill Laule, TI chief executive, said he expected the deal to be earnings enhancing in 2000.

"Bundy had 25 per cent of a $1.5bn market for fuel lines and connectors," he said. "Walbro has a 10 per cent share in the $5bn market for tanks, modules and filler necks. Together we have 15 per cent share in a $6.5bn global market."

Following the deal TI will receive 45 per cent of group revenues from its automotive arm, 35 per cent from industrial engineering and 20 per cent from aerospace.

Its next deals will aim to increase its aerospace and industrial sales by more than 5 per cent to spread revenues more evenly.

Warburg Dillon Read advised TI with Walbro Corporation advised by Salomon Smith Barney.

First Leisure merger talks collapse

By Scheherazade Daneshkhu, Leisure Industries Correspondent

We can't work it out: the two health groups were unable to agree on financial terms David Ahmed

First Leisure yesterday looked vulnerable to a break-up bid after talks with Cannons Group to merge the companies' health and fitness businesses broke down.

In a joint statement the two companies said discussions had ended because they had "been unable to reach an agreement on financial terms".

First Leisure shares closed 7¼p lower at 246p while Cannons were unchanged at 192½p.

Analysts said that First Leisure was likely to become a takeover target. "This puts a for sale sign over all of First Leisure's businesses," said one analyst, citing Whitbread, Holmes Place and Ladbroke as potential buyers for its health and fitness business.

Nick Irens, chairman of Cannons, said the health club business recognised the merits of a merger but would now expand on its own.

Michael Grade, chief executive of First Leisure, said the group was continuing to review its strategic options as announced in January when the nightclubs and bowling group said it was in the early stages of talks on a range of initiatives with other businesses.

Under the deal being discussed, First Leisure would have demerged its health and fitness division to Cannons, which would have issued shares to First Leisure's investors.

It is believed that First Leisure and Cannons shareholders would have had an equal stake in the newly merged group, valuing First Leisure's health and fitness business at about £260m ($420m). First Leisure would have injected £30-£40m of debt into the merged group.

Vardon changed its name to Cannons two months ago after last year selling its attractions and holiday divisions. This included 23 Sea Life centres and the York and London Dungeon exhibitions. Vardon acquired Cannons and the Harbour Club last year.

The £1bn health and fitness sector has expanded rapidly in recent years and the drive for growth has led to industry consolidation in the industry.

National Power chief resigns

By Andrew Taylor, Utilities Correspondent

Keith Henry has been ousted as chief executive of National Power, Britain's second largest generator, after investor criticism of the group's UK strategy.

His departure renewed speculation that the company could be subject to a break-up or a takeover bid. Its shares rose 15p to 496¾p, against a peak of 684p in January 1998.

US energy groups such as Duke Energy and Reliant are viewed as potential bidders, but would be unlikely to make a hostile offer. The UK government retains a golden share in National Power, which provides for a veto of any offer it considers inappropriate.

Negotiations on severance terms for Mr Henry, 54, have still to be concluded. The chief executive, who is on a one-year rolling contract, earned £410,000 ($660,000) plus a performance bonus of £123,000 in 1997-98, and held options for 245,000 share at the end of March last year.

Sir John Collins, National Power's chairman, will take over as chief executive until a replacement is appointed. Graham Brown, managing director will become chief operating officer.

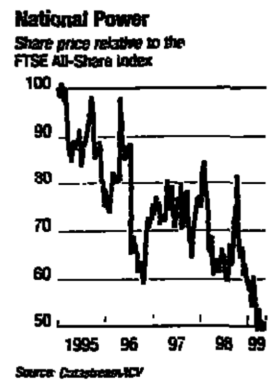
Investor dissatisfaction over the group's poor share performance peaked in February when National Power revealed it had failed to pull off a £10bn merger with United Utilities, the north-west of England power supply and water company.

The merger plans ran counter to National Power's previously declared strategy of pursuing international growth and focusing on generation and retail sales in the heavily-regulated UK electricity sector.

The final dividend for the year to the end of March is to be increased from 18p to 19p raising the total for the year from 27p to 28.6p. Mr Collins said pre-tax profits were likely to be in line with market forecasts.

COMMENT

National Power



The departure of Keith Henry as National Power's chief executive will only rekindle the bid rumours. Mr Henry's credibility was fatally weakened by the aborted merger with United Utilities, but his exit brings the company no nearer to a rapid solution to its problems. Regulatory pressure and increased competition have driven National Power's share of the UK generating market down from 46 per cent to what will be 12 per cent once the Drax power station is sold. Some stability has come from the purchase of the supply business of Midlands Electricity, and of Calortex, but the main growth will inevitably be overseas. The international side has not yet grown fast enough to compensate for the dull home market, and the company has been sandbagged by a change in Pakistan's political climate. Other projects in China and India are in the pipeline, but will take time to come through.

Time may not be a luxury the group has. Some of the £1.5bn-£2bn Drax proceeds can be used for a share buy-back to keep investors sweet, although the dividend seems certain to be cut next year. But the share price is no higher than in 1994, and in the current takeover-friendly climate it would be a surprise if no suitor stepped forward. Break-up figures have centred on 550p-600p a share, against last night's close of 496¾p.

Unigate/Terranova

Game over, Terranova. By raising its offer for the demerged convenience foods group by 20 per cent to 150p per share, Unigate has secured a tasty-looking deal. Its purchase in the market of 29.9 per cent of Terranova's shares combines with 18.7 per cent acceptances to give Unigate just short of 50 per cent of its target's share capital. With Phillips & Drew irrevocably accepting the increased offer, except for counterbids over 160p per share, the chances of a white knight are tiny. Terranova has little choice but to recommend the offer. That said, it was a battle worth fighting. The Terranova share price's recent low of 75p said more about the sector's unpopularity than the merits of its leading position in the continental European convenience foods market. And strengthening sentiment towards smaller companies also helped turn shareholders against Unigate's measly-looking initial offer.

Br Biotech trader quits

The fund manager whose trades in British Biotech led to the London Stock Exchange imposing fines on two leading securities firms has resigned from his Boston-based company, writes Clay Harris.

Trades made on the instructions of Andrew Parlin, who was a principal at Oechsle International Advisors, are still being investigated by the US Securities and Exchange Commission.

The exchange last month fined ABN Amro Equities and Morgan Stanley Dean Witter a total of £350,000 for "misconduct" in accepting orders that included instructions to move a share price.

Oechsle has a disclosed 9.9 per cent interest of 9.9 per cent in British Biotech.

ICI to sell coatings unit to PPG

By Virginia Marsh

Imperial Chemicals Industries is to sell its automotive refinishing paints and other industrial coatings businesses to PPG Industries, a US rival, for £425m ($684m).

The move reinforces PPG's position in the sector, following DuPont's purchase of Herberts, a paints business strong in the auto area, from Hoechst, for $1.9bn last autumn.

ICI is in the middle of a wide-ranging disposal programme, partly to reduce its £4.5bn debt. But the deal surprised the market because coatings had previously been identified as a core area and other disposals had been seen as more urgent. However, analysts said the price, at 1.5 times sales, was a good one, comparing favourably to the Herberts deal which was at a multiple of 1.1 times.

The shares rose 26½p to 673p, up from 446p in the autumn.

ICI's auto refinish business was a distant sixth or seventh in the sector after DuPont and PPG respectively. The group said that because of consolidation in the sector, it had concluded it needed either to add to it, especially in the US, or sell it. The deal would enable it to focus on its main coatings business, decorative paints, which are built around brands like Dulux and Hammerite.

Analysts said ICI's debt – racked up following its purchase of Unilever's speciality chemicals businesses in 1997 for £4.9bn – restricted it from making sizeable acquisitions.

The businesses being sold – which contributed pre-tax profits of £20m and sales of £285m last year – include Autocolor, a refinishing business, Grow Automotive, a north American solvent and thinners concern, and various industrial coatings operations in Asia and Latin America. The deal does not include ICI's share in businesses in these areas in India and Pakistan.

Analysts said margins in the businesses being sold were above those of the coatings division as a whole. Dresdner Kleinwort Benson expects the division to produce operating margins of 7.3 per cent this year before adjustment for yesterday's deal.

ICI said, however, the deal was expected to be earnings neutral in the next 12 months and that it would bring pre-tax profits of £190m. The move, which will involve transfering some 2,850 employees to PPG, will lead to a further scaling back of ICI's central and support functions, on top of the shake-up already announced.

Unigate close to winning Terranova

By Maggie Urry

Unigate was last night close to victory in its bid for food group Terranova, after raising its cash offer and buying shares in the market. It gained acceptance for the offer from Phillips & Drew Fund Management, Terranova's largest shareholder, and by last night controlled 48.6 per cent of Terranova's shares.

The offer was raised from 125p to 150p a share, valuing Terranova, the convenience food group spun off from Hillsdown Holdings last October, at £274m ($441m). Even at the new price, analysts said Unigate's earnings would be enhanced.

The increase was announced at 4.15 pm and by the market close Unigate, the dairy, meat and distribution group, had bought 29.9 per cent of Terranova's shares in the market, the maximum it was allowed to buy under takeover rules.

Terranova shares rose 9¼p to 148½p, while Unigate's shares gained 13p to 438½p.

Earlier it had secured the agreement of P&D, which holds 13.1 per cent, to the higher offer which can be added to acceptances already received for the original offer of 5.6 per cent. P&D's acceptance could be rescinded if a counter-offer appeared above 160p a share.

Last night, analysts said that given Unigate's success in buying shares, a counterbidder was now highly unlikely.

Terranova would only say that it was considering the revised offer. However, it is thought probable that Terranova will announce today that it is recommending the offer to shareholders.

The rise comes after much speculation over whether Unigate would increase and if so by how much.

Last year, it made an approach to buy the whole of Hillsdown but withdrew amid acrimony between the two sides. Its first bid for Terranova – the part of Hillsdown that it had been interested in initially – launched in mid-March, was considered too low by analysts and shareholders. Terranova's board said it was "wholly inadequate".

However, observers said it would be embarrassing for Unigate to pull back from a second offer, and an increase in the terms was expected this week. On Monday, Terranova issued its final defence document, in which it said operating profits were up 13 per cent in the first quarter of its current financial year.

Terranova directors stand to benefit from the bid as they had agreements to receive two years' salary if the business was taken over soon after the demerger.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Advanced Power	6 mths to Feb 28	3.27	(3.24)	0.458	(0.575)	1.4	(1.7)	0.45	May 28	0.4	-	1.2
Arcadia	6 mths to Feb 27 ⁜	780	(775.4)	23♠	(50.3)	8.8	(19.5)	4.7	July 23	4.7	-	11.7
Ashley (Laura)	Yr to Jan 30	288.3	(344.9)	31.9L♠	(49.3L♠)	9.47L†	(20.87L)	nil	-	nil	nil	nil
Bioglan Pharma	Yr to Jan 31	43.4	(23.3)	3.41♥	(2.14)	2.79†	(3.28)	-	-	-	-	-
Canary Wharf	6 mths to Dec 31	35.6	(21.7)	36.5L	(44.6L)	14.6L	(-)	-	-	-	-	-
Carr's Milling	6 mths to Feb 27	45	(43.9)	0.951	(0.583)	8.6	(5.5)	3	June 3	3	-	5
Ecsoft $	3 mths to Mar 31 ★	29.4	(26.1)	3.09♠	(2.61)	0.16†	(0.17)	-	-	-	-	-
Fibernet	6 mths to Feb 28	5.38	(4.7)	2.64L	(1.98L)	6.7L	(5.3L)	-	-	-	-	-
Grampian	Yr to Jan 29	227.9	(244.3)	7.73♠	(25.6♥)	3.34	(18.73)	5.4	Aug 2	5.1	7.6	7.2
On-Line Φ	6 mths to Dec 31	0.327	(0.31)	0.096L	(0.101L)	2.9L	(3.04L)	-	-	-	-	-
Ryan Hotels €	Yr to Jan 28	39.5	(36.1)	7.79	(6.38)	9.94	(8.57)	2.4	June 30	1.9	3.4	2.8
Seet	Yr to Dec 31 ☆	31.3	(10.4)	0.9♥	(0.632♠)	3.8†	(6.66L)	0.6	July 26	nil	0.6	nil
Shiloh	Yr to Mar 27	44	(49)	3.37♥	(0.667)	41.92	(8.54)	3.4	June 17	3.25	4.4‡	4.25
Westmount Energy Φ	6 mths to Dec 31	0.061	(0.131)	0.033L♥	(0.013L)	0.3L	(0.3L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore SNT	6 mths to Mar 31	27.9	(13♦)	2.15	(-)	1.76	(-)	0.78§	May 28	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ⁜Comparatives pro forma. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. $US currency. ★Comparatives restated. ☆Comparatives for eight months. ΦAim stock. €Euros. ‡Excludes 10p special. ♦At September 30. §Second interim; makes 1.56p to date.

For further coverage of UK companies, visit the Financial Times website at http://www.ft.com/companiesuk1.

LEGAL NOTICE

No. 46 of 1999

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ORIENT (LONDON) LIMITED
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 6th January 1999 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £600,000 to £100,000 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 12th day of May 1999.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 26th day of April 1999

Herbert Reeves & Co.,
44 Great Eastern Street,
London, EC2A 3EP
Solicitors for the above-named Company

TO THE HOLDERS OF
MITSUBISHI FINANCE INTERNATIONAL PLC
(NOW KNOWN AS TOKYO-MITSUBISHI INTERNATIONAL PLC)
US$77,000,000
Dual Basis Subordinated Notes due 2004 (the "Notes")

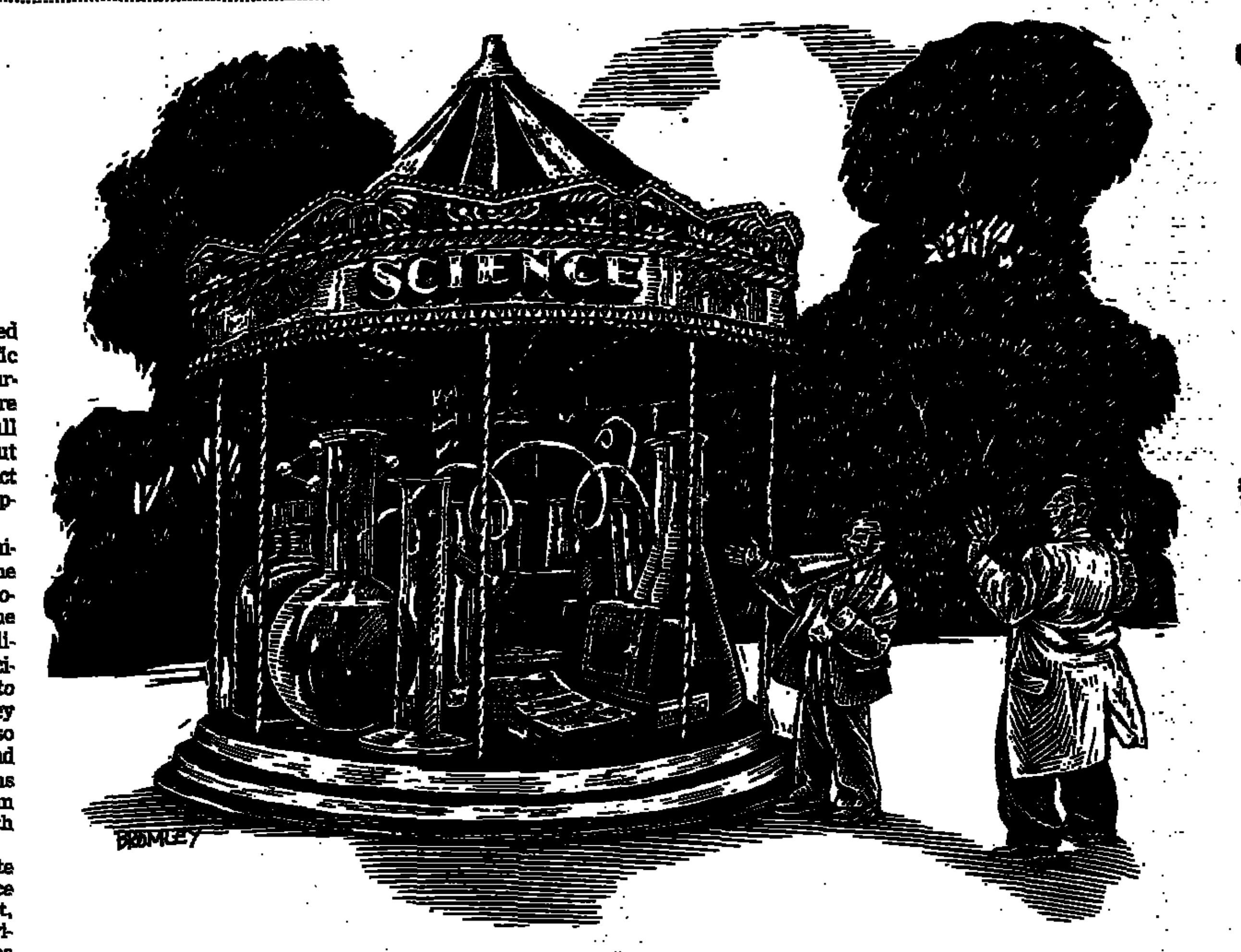
NOTICE OF EARLY REDEMPTION

In accordance with Condition 5(b) *(Redemption at the option of the Issuer)* of the Terms and Conditions of the Notes, notice is hereby given of the intention to redeem all of the Notes at their principal amount plus accrued interest on 28th May, 1999 (due to 31st May, 1999 being a London and New York holiday).

Scientists inspired by the fun formula

World-class research results from freedom to work without being overwhelmed by bureaucracy, says **Andrew Derrington**

Science under scrutiny



What motivates scientists? What gets people with world-class research brains into the laboratory and what keeps them there? The answer to these questions is easy to find, but putting it into practice is much harder.

Every scientist I have asked gives the same response. It is nothing to do with wanting to improve the lot of mankind or to cure diseases. Such benefits do flow from research and are the reason that society is prepared to pay for it.

Indeed, I once held a fellowship for which the job description specified that I do research "for the benefit of mankind". Although scientists hope research may help their fellow man, the reason they do it is because it is fun.

Several things make science fun, says Peter Lennie, dean for science at New York University, one of the leading private research universities in the US. His list includes: solving really interesting problems; discovering why the world is the way that it is; and being the first to know something everybody wants to know.

Just as science is fun, more science is more fun. Research laboratories and universities that want to recruit and retain the best scientists must ensure such people can do enough interesting science without being overwhelmed by bureaucracy and drudgery.

Different kinds of institution have different cards to play in their competition for top talent. University scientists have complete freedom to choose the most interesting problem to work on but they may not have the resources to attack it.

In industry the choice of problem will be limited by the requirement that it has to contribute to the bottom line. But that contribution guarantees the resources.

When new research projects arise, teams of scientists must be recruited to work on them. According to Peter Bassett of headhunters Korn/Ferry, who recruits scientists to work in the pharmaceutical industry, two of the most important inducements to persuade a project leader to move from one company to another would be the opportunity to work on more exciting science, and freedom to decide how to use his or her team to attack the scientific problem.

Freedom to choose the problem to work on would not be an option – they might even have to continue somebody else's project.

Persuading scientists to move from universities to industry is much more straightforward than persuading them to move from one company to another. The differences between university and industry are more marked than those between companies. In addition to the disparities in research resources – in some countries at least – there are differences in the way the results are used and in the level and nature of the financial rewards.

Part of the fun of science is in letting the world know what you have done. The results of university research are disseminated throughout the scientific world by publication in journals. Industrial scientists are not able to publish full details of their work, but they might have an impact on a wider world by developing new products.

Science is much less fun if you cannot share it with colleagues who appreciate it

Dr Bassett says many university scientists relish the prospect of working on projects that lead directly to the development of new medicines. Salaries also pull scientists from universities into industry. Not only will they be paid more, they are also likely to receive shares and share options. This means the results of their work can also influence their wealth in the longer term.

Universities also compete for scientific talent, but face different constraints. First, the fact that they are primarily teaching institutions means that even their top scientists must be prepared to pull their weight in the classroom. Second, money to pay for research is often extremely limited: most projects must be supported by research grants from external agencies.

And teaching creates its own problems. To cover a full curriculum, for example, departments usually spread their expertise thinly across a broad front. The result is that, in Europe, many university scientists feel intellectually isolated in their home departments. Science is much less fun if you cannot share it with colleagues who appreciate it.

In the US the situation is different. "Private universities often try hard to establish concentrations of excellence as a way of becoming pre-eminent in particular areas," says Dr Lennie. He left the UK in 1982 to join just such a group, the Center for Visual Science at the University of Rochester. "The likelihood of finding a similar concentration of colleagues in the UK was very low," he says.

Grant agencies recognise the value of such centres. In the US, where a co-operating group of individuals has grants in closely related subjects, they become eligible to apply for a centre grant that supports shared infrastructure. And US universities compete fiercely to get the best talent to build and maintain their centres of excellence. A junior scientist can expect to be offered the funds to set up a laboratory and to run his research programme for the year or two it will take him to start winning external grants.

In stark contrast, the future of university science in the UK is threatened by the financial insecurity of the most junior scientists: students working for PhD degrees. Changes in the funding of undergraduate degrees force most students to take on large debts. The prospect of living on a subsistence income while fending off the bank manager for three years as a PhD student can take the fun out of science. All the more so when the PhD gives no guarantee of a job.

Funding agencies are addressing this problem, with schemes to ensure that a select few continue to enjoy science – just as most of their counterparts do in the US and elsewhere.

This concludes the series. Previous articles appeared on March 25, April 1, 8, 15 and 22

GROWING BUSINESS VENTURE CAPITAL

Specialist funds with a feminine touch

First-class female entrepreneurs are providing a new market for US venture capital, writes **Alison Maitland**

Lyric Hughes, a US entrepreneur, used to regard venture capitalists as vultures. Then, on a flight to Hong Kong, she read Howard Schultz's book about how he built up Starbucks, the US chain of gourmet coffee houses.

"He described how he went around and raised money," she says. "I thought: 'He did it, I can do it too'."

Through a network of contacts in her home city of Chicago, Ms Hughes found Ark Capital Management, a venture capital firm that targets companies owned by ethnic minorities and women.

It provided $1.5m just over a year ago for Ms Hughes to start ChinaOnline, an internet-based company that produces business news and analysis about China for corporate clients.

The company is now on course for revenues of $2m by the end of the year, says Ms Hughes. She is looking for strategic partners in information technology, media or financial services to expand the business before a possible initial public offering "once we're established as the number one player".

Ms Hughes is part of an emerging market for US venture capital. Rob Stein, managing partner of the Washington DC-based Women's Growth Capital Fund, explains: "It's only in the last few years that a new generation of women have come into the business world building high-quality, high-growth companies that venture capitalists are willing to look at."

He estimates that of $12bn of private equity capital invested by venture capital funds in the US last year, only $350m-$500m at most went to women-owned businesses. Yet women are starting 1,600 businesses a day, twice the rate of men, and own nearly 40 per cent of all US enterprises.

So why do they still have limited access to venture capital? Many simply have no experience of venture funds and no links with fund managers, says Mr Stein. He also believes women fund managers have a keener eye for potentially successful women-owned enterprises – but there are still few women in the industry.

Mr Stein has two female partners in the $30m fund. A couple of similar funds have been launched in the past year, taking the total of debt and equity funding reserved for women to $90m from "virtually nothing in 1997".

Ms Hughes was the first woman to be backed by the $32m Ark Capital Fund, which generally helps expanding companies rather than start-ups. In her experience, businesswomen often resist venture capital because they are financially conservative.

Women are starting 1,600 businesses a day, twice the rate of men, and own 40 per cent of all US enterprises

"I don't think that most of them consider that equity finance is within their grasp," she says during a visit to the UK between hectic trips around western and eastern Europe.

When she had the idea for ChinaOnline in 1997, she knew a bank loan was out of the question. "We were starting out with zero revenues, no accounts receivable. It was really a concept and building a brand."

She asked Microsoft to become involved, "but China was just too new for them". She approached a large media company but it said it did not want to be connected "with a country that starved 30m of its own people". Only then did she turn to venture capital.

Ark's managers were attracted by the fact that this was an internet concept, and by her plan to plug an information gap on China. They were also impressed by Ms Hughes and confident she would work hard to expand the business.

Michael Granger, Ark's managing director, says institutional investors are keen to diversify into new markets like this. "They see the success of women in corporate America and want to tap into that energy," he says. "It's the same with minorities."

Ark aims to generate "competitive returns" from the low to mid-20s upwards, he says. The Women's Growth Capital Fund, which backs growing businesses, targets a net annual rate of return of 25-30 per cent.

Its investors include financial institutions such as Bank of America and about 50 individual women who have built their own businesses or inherited wealth. The federal government's Small Business Administration came in with $20m as a limited partner.

Ms Hughes, though a beneficiary of venture capital, had other assets including a network of influential contacts. She raised $500,000 in start-up capital from individual investors and partners. A further $3m came from Australian investors to whom she was introduced by David Hale, chief economist of Zurich Financial Services in Chicago and chairman of ChinaOnline.

She is also unusual, not only for her first name Lyric – part of a melodic family tradition that extends to her daughters Harmony and Aria – but for her openness to other cultures. She speaks an array of languages including Japanese, Farsi and Russian, having travelled widely with her family as a child. While studying at Chicago University's Oriental Institute, she worked with Japanese companies wanting to enter the US market.

Later, on visits to China, Ms Hughes was impressed by the vibrancy of the Chinese media – as compared with the wooden, English-language official publications. Her marketing links grew, and in 1986 she arranged the first broadcast of American football's Super Bowl final in China. Now she is an enthusiast for the venture capital she once feared.

"Once you learn 'venture-speak', and understand the mind-set of your investors and potential investors, you can profit from their suggestions and networks," she says. "It brings a professionalism to your business plan to have to defend it in front of people who are experts."

MANAGEMENT BOC

Putting on the pressure

Virginia Marsh on the radical global restructuring of the deflated industrial gases group

BOC's attempt to end years of lacklustre performance began by shocking the top management into silence. It was last May and the UK industrial gases group's most senior executives had gathered in Chantilly, Virginia, for their annual get-together.

"There was none of the usual cosy 'Did you have a nice flight?' and all that," recalls Danny Rosenkranz, the chief executive. "It was right between the eyes. I really rattled them."

The process, known as Project Renew, culminated last month when the final parts of the group's new structure were put into place. A few weeks earlier Mr Rosenkranz had signed performance contracts with the 19 managers chosen to head the business units that are key to the new BOC.

In the intervening 10 months, the group has begun a £120m ($194m) cost-cutting plan involving 5,000 redundancies at group and associate companies; reorganised along global business rather than regional lines; and put hundreds of managers through an arduous reselection programme.

Mr Rosenkranz opted for "shock tactics" – his opening speech in Chantilly was accompanied by a video in which analysts berated BOC's performance – after concluding he had failed to drive home his message on the same occasion the previous year.

"We had had a good debate but then everyone went home and forgot about it. No one really heard me," he says. "We were a FTSE 100 company 20 years ago and still are now. A lot of people had a 'we're there' mentality. We were the typical type of company that could lose the plot."

Mr Rosenkranz, who became chief executive in 1996, had measured the group against its competitors and found its results in the bottom half. He believed the core gases business – BOC is also in distribution – was not performing as well as it should.

'We were the typical type of company that could lose the plot'

Central to the project, which also aims to generate sales growth and lay the foundations for improvements in profitability, has been the creation of a transparent group organisation.

After working with McKinsey, the management consultant, BOC has abandoned its traditional regional organisation where top executives were responsible for continents, with all operations in a given country reporting to a locally based manager. Instead there are four main global lines of business (LOB) that comprise business units, most of which cover a geographical area.

The heads of these 19 units, rather than the LOB chiefs, are primarily responsible for day-to-day operations and profitability.

The group has committed itself to achieving a return on assets of 16 per cent by 2000 and of increasing turnover to £5bn in five years, up from £3.33bn in 1998.

Unit heads have individual goals laid out in their performance contracts, to be reviewed quarterly by Mr Rosenkranz.

"The idea was to push responsibility lower down the company," he says, adding that group incentive schemes are being widened to reflect this.

Barry Beecroft, one of the architects of Project Renew and a LOB head, adds: "Before we had a vertical, top-down approach with the division boss deliberately interventionist and sometimes quite autocratic. LOB chiefs can't do that any more, they don't have the staff."

Now LOB heads have just a handful of staff and share enabling functions grouped in service centres. Many of the redundancies are being made among support staff.

"The regional chiefs have been used to having their own army of staff," says Mr Beecroft, who was formerly head of BOC's European gas operations. "Some anxieties have been working through that resources are further away and less directly controlled."

His new role, he says, is about setting strategy and coaching the heads of his LOB's four business units: "We have to bring on tomorrow's management stock."

While LOB chiefs have to adjust to a less hands-on approach, some of the unit heads find the new structure liberating.

"We have greater responsibility and more autonomy and influence than before," says John Bevan, an Australian who leads a unit in Beecroft's LOB and was previously head of BOC's Thai operations. "This way you are closer to the customer and able to adjust and compete more quickly."

Despite having worked for BOC for more than two decades, Mr Bevan, like the other unit heads, had to go through a rigorous reselection process.

BOC brought in Egon Zender, the headhunter and management appraisal firm, to interview the 45 staff that had applied to be unit heads and the 25 hoping for the top positions in support services. Other consultants carried out a less intensive process with more than 300 staff seeking positions in the next two levels of management.

Welding a new structure: Rosenkranz aims to create a transparent group organisation — Eycatchers Press

"No job was sacrosanct," says Mr Rosenkranz. "The new structure will also help us see the next group who will lead the company. On the management board, we are all around the same age." The new divisions are organised on similar lines, making it easier to compare performance.

Mr Rosenkranz has also developed what he calls a "peer process". The unit heads have been divided into small groups, across divisions and around the world, that meet and talk (via video link) regularly to share ideas, evaluate each other and swap best practice. Mr Rosenkranz expects the process to take up 20-25 per cent of the time of those involved.

"In time, once we've gotten to know each other, this process could be quite powerful," says Mr Ford. "I've been looking at an acquisition and my peer group is involved in reviewing the decision. There's an element of challenging each other."

TECHNOLOGY WORTH WATCHING

Biocatalysts may help recovery of heavy grades of crude oil

Bacteria could become the latest weapon in the oil industry's efforts to retrieve and purify heavy grades of crude oil.

US researchers have discovered that bacterial biocatalysts can remove impurities such as sulphur, nitrogen and metals from crude oil. When injected directly into oil wells, the bacteria help break down the crude, making it easier to extract. It can also improve crudes that are too heavy and impure to refine easily into clean-burning fuel.

The technique, which was invented at the US Department of Energy's Brookhaven National Laboratory, has been licensed to BioCat, a company based in Setauket, New York. Companies such as Chevron, Shell and Texaco are working with BioCat to develop the technology.

The scientists believe the technique holds the key to the cost-effective recovery of even the heaviest crudes. These make up more than 60 per cent of known oil reserves.

Brookhaven National Laboratory: US, email karav@bnl.gov; http://www.pubaf.bnl.gov/pr/bnlpr042299.html

Solvay to recycle PVC compounds

Polyvinyl chloride (PVC) remains intensely controversial: despite its ubiquity and usefulness, it is blamed for a range of health problems. In particular, concern is focused on dioxin, a synthetic hormone disruptor generated during PVC's production and disposal.

Solvay, the Brussels-based chemical and pharmaceutical group, has developed a recycling technique for a number of PVC-based compounds.

It involves separating the PVC and its additives from other compounds by dissolving them in a solvent. The PVC is precipitated out and dried, yielding a resin that is comparable to the original PVC.

The technique is due to go into industrial use in 2001.

Solvay: Belgium, email jacques.degerlache@solvay.com; www.solvay.com

Solution to differentials

From finance to fluid dynamics, some of the world's most complex systems can be described by the mathematical expressions known as partial differential equations.

Solving the equations usually involves using advanced mathematical modelling techniques, and powerful computers.

CSIRO, the Australian research organisation, has developed software called Fastflo that is designed to simplify the task.

A software product for simulating the flow of granular material for the mining and minerals processing industry is already available. A product using the Black-Scholes equation for option pricing in finance will be launched in mid-1999.

CSIRO: Australia, tel 61293253270; www.cmis.csiro.au/cfd

Small scale mass production

The University of Southern California is developing a process to mass-produce tiny mechanical and electromechanical devices without the need for expensive "cleanroom" facilities.

The process, called Efab, or electrochemical fabrication, creates devices with complex features that are smaller than the width of a human hair.

University of Southern California: US, tel 2137404750; http://www.isi.edu/efab

Soccer boots toe the line

Umbro, the UK-based sportswear group, has developed a new insole for its soccer boots that it says will improve efficiency on the pitch and reduce toe injuries and the risk of arthritis in toe joints, *writes Sheila Jones.*

The insole or metatarsal cradle cushions and supports the area around the big toe, which suffers from pressure from the boot's main stud. It was developed at Salford University by Steve Lyons, a podiatrist and adviser to football clubs including Manchester United and Liverpool.

"By distributing the pressure more evenly, you allow the first metatarsal to function more efficiently, particularly when a player breaks into a run," said Mr Lyons.

Joint movements and pressure points were measured inside the boot using magnetic resonance imaging scanners.

Mr Lyons used computer aided designs to test the findings and produce the new insole, which was trialled by leading players.

Further information from Sue Chalmers, Salford University. Tel 0161 295 5370, e-mail s.chalmers@university-management.salford.ac.uk

Vanessa Houlder

هكذا من الأصل

EURO MARKETS

Euro sidelines the role of credit ratings

Technical factors are replacing traditional concerns about individual country risk, writes Arkady Ostrovsky

Gone are the days when government yield spreads in Europe were determined by macro-economic factors such as credit ratings, interest rates or currencies. The birth of the euro removed currency risks in the euro-zone and created a single pool of sovereign bonds.

Credit ratings still play a part, but they have been overtaken by technical considerations, such as market liquidity and the relative value of individual bonds.

Bankers are having a hard time establishing the absolute credit spread between euro-zone countries at different parts of the yield curve. While in the most liquid 10-year sector, the German bund remains the benchmark with a yield of 10 basis points below France, Spanish two-year bonds are trading two basis points below Germany, despite the country's *lower credit rating.*

"We used to look at a *country's inflation, deficit or* monetary policy to judge individual bond markets. Now we do not value bond markets as a whole, but look at individual bonds, *regardless of the country of their origin,*" says Jan Loeys, government bond strategist at J.P. Morgan. Bonds issued by different countries are judged across the borders on a relative basis.

Technical factors - liquidity, issuance volumes, the efficency of individual repo markets, coupon – are replacing concerns about individual country risk.

"Technical factors rather than credit risk largely determines relative spread on euro-zone sovereign debt," says HSBC in a recent report. Sovereign bonds are judged not against each other, but against a homogeneous swap curve that is calculated from the rate at which fixed-rate money can be swapped into floating-rate money. *In other words, euro-zone bonds begin to resemble bonds issued by different* US states.

"Fundamental factors do not drive markets individually," says Laurent Fransolet, euro-zone analyst at J.P. Morgan. "Italy, for example is more exposed to the Kosovo crisis than Germany, and in the past this would have led to a big widening in the spreads. But the spreads have barely moved so far."

Investors are convinced *that the single currency is a* one-way street and the chances of any of the 11 countries falling out of economic and monetary union are minimal.

"Euroland sovereign government bonds continue to be traded with barely an acknowledgement that credit risk for sovereigns is now a reality," says HSBC.

Credit ratings in the euro-zone still determine the basic spreads between AA and AAA-rated countries, *but liquidity is becoming the* over-riding issue in bond markets. Investors are prepared to pay a premium for a liquid bond, even if on a relative value basis it does not offer the best return on investment.

This explains why Italy, with an AA rating and trading at more than 500 basis points over Germany in the early 1990s, is now trading below some AAA-rated countries such as Finland.

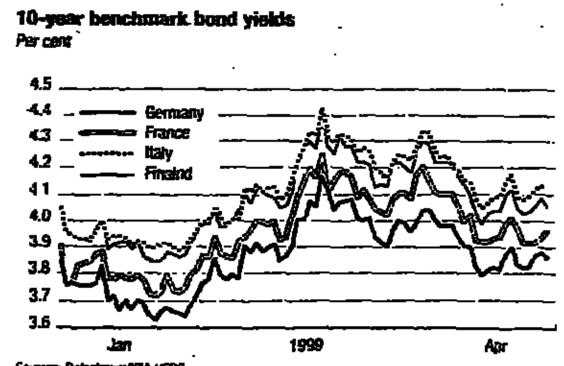
Yet, some analysts argue *that the market is blind in* its perception of credit risk and overestimates the importance of liquidity. "The reality is that such risk [of default] is not adequately recognised yet. It ought to be, because some of the misconceptions that drive current sovereign spreads may well be a matter for future regret," says HSBC.

The bank argues that an AA rating, if it is genuine, should be reflected in a spread the same way as it is reflected at a corporate level. An AA-rated borrower may have to pay as much as a 100 basis point premium over an AAA-rated company.

The second misconception, says the bank, is market liquidity. While a large market, Italy for example, is less likely to come under a liquidity squeeze, its size reflects the level of the country's indebtedness with relatively greater prospect of a default.

Thirdly, investors assume a euro-zone country would *always be bailed out by the* European Central Bank. If this was the case, it is time to upgrade all euro-zone countries to the highest level and if rating agencies have not done so, they may have a good reason for it.

10-year benchmark bond yields
Per cent



Source: Datastream/ICV, HSBC

Ratings and spreads

	Ratings by rank	Actual spreads*	
	Average agency	5 years	10 years
Austria	1	13	20
France	1	6	12
Netherlands	1	20	13
Ireland	4	34	13
Finland	5	34	25
Belgium	8	30	26
Spain	6	27	25
Portugal	8	33	25
Italy	9	23	25

* Basis points

FTSE Actuaries Share Indices — European series

[illegible]

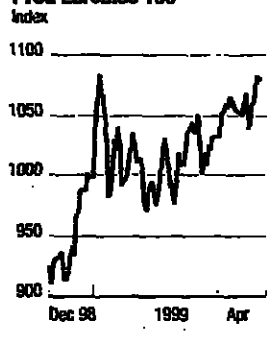
CURRENCIES, MONEY & BONDS

EURO-ZONE BONDS

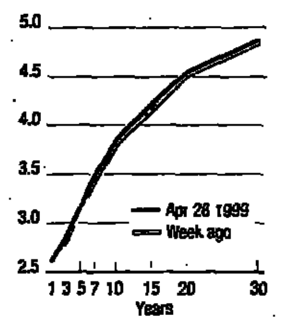
Apr 28	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.650	2.55	+0.02	–0.54	–0.15
Denmark	01/02	4.750	AA+	104.392	3.01	+0.03	–0.20	+0.17
Sweden	02/01	5.000	AA+	103.661	2.84	+0.03	–0.27	+0.14
Greece	11/06	6.750	BBB	115.622	4.27	+0.02	–0.20	+0.78
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	109.407	4.16	+0.02	–0.22	+0.54
EIB	04/08	5.000	AAA	107.181	4.03	+0.01	–0.22	+0.29
Eurofima	12/09	5.625	AAA	110.600	4.35	+0.01	–0.24	+0.50
World Bank	04/05	7.125	AAA	118.303	3.64	+0.02	–0.21	+0.30
■ UTILITIES								
EDF	10/03	3.750	n/a	102.366	3.17	+0.03	–0.21	+0.16
TEPCO	02/03	4.750	AA	104.239	3.54	+0.03	–0.13	+0.53
Quebec Hydro	03/08	5.375	A+	106.630	4.45	+0.01	–0.29	+0.71
Norsk Hydro	10/99	7.250	A	101.662	3.13	–0.02	–0.32	+0.56
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	108.584	4.36	+0.02	–0.23	+0.44
DKB	09/07	5.750	AAA	111.851	4.05	+0.03	–0.21	+0.43
Credit Local	04/08	5.250	AA+	107.652	4.21	+0.01	–0.30	+0.47
Abbey Natl	01/09	5.000	AA–	102.501	4.67	+0.01	–0.20	+0.82
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.719	3.08	+0.03	–0.23	+0.38
McDonalds	03/08	5.125	AA	106.308	4.26	+0.01	–0.22	+0.52
Philip Morris	06/08	5.625	A	105.229	4.90	+0.01	–0.23	+1.16
BAT Int Fin	07/06	5.375	A–	104.423	4.64	+0.02	–0.29	+1.15
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	106.211	2.96	+0.00	–0.27	+0.26
Eurohypo AG	01/04	5.000	n/a	106.990	3.36	+0.01	–0.22	+0.18
Bayer Vereins	01/06	6.000	n/a	113.108	3.75	+0.01	–0.20	+0.25
Depfa	07/08	4.750	n/a	104.407	4.16	+0.01	–0.16	+0.42
■ HIGH YIELD								
Geberit	04/07	10.125	B+	114.750	8.17	+0.08	+0.00	+2.55
Colt Telecom	11/07	8.875	n/a	107.136	7.72	+0.02	–0.06	+4.10
Impress Metal	05/07	9.875	B	111.750	7.02	+0.08	–0.30	+3.40
Remy Cointreau	07/05	10.000	B+	107.027	8.52	+0.02	–1.44	+5.18

Standard & Poor's ratings. Source: Interactive Data/FT information.

FTSE Eurobloc 100
Index



Euro bond yield curve
Per cent



Sources: FTSE International; Interactive Data/FT information

EURO SPOT FORWARD AGAINST THE EURO

[illegible]

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

[illegible]

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

[illegible]

OTHER INDICES

[illegible]

FTSE EUROTOP 300

[illegible]

EURO.NM

[illegible]

EASDAQ

[illegible]

Latvia to make bond debut in euros

By Khozem Merchant

Latvia is to follow neighbouring Lithuania and issue its debut euro-denominated bond later this month.

Bankers say the Latvian bond, its first in the international capital markets, is expected to be for €150m to €200m with a maturity of five years. It is expected to be priced to yield a spread in the low to middle 300 basis point range over five-year German bunds.

Lithuania launched its debut euro-denominated bond last month, a five-year €200m deal that has traded at a stable level of 470 basis points over German bunds.

Latvia, which hopes to join the European Union, launched its bond partly because it is keen to establish a benchmark ahead of a crucial EU summit in September, at which the next wave of euro-zone entrants may be announced. "We want to know how we are being evaluated [by the markets]," said Ivars Godmanis, Latvia's finance minister.

Latvia is rated Baa2 by Moody's Investors Service and BBB by S&P, the same as Hungary, the most recent emerging European borrower to tap the market, with a $500m issue.

● The Thai government yesterday launched its largest ever 15-year domestic bond and announced changes to its bond auction system in an attempt to help stimulate the domestic market, writes William Barnes.

The bond, launched at a yield of 8.15 per cent, compared favourably to rates available on the international markets. Other Thai entities, including Siam Cement, have tapped the domestic market recently.

Rise in consumer spending hits Treasuries

BENCHMARK BONDS

By Vincent Boland in London and John Labate in New York

Prices edged lower yesterday as a combination of profit-taking, contrasting new bond auctions and a busy day in the corporate bond market kept investor attention elsewhere.

Most markets outside the US closed at the low end of their trading ranges while US Treasuries edged downwards in early trading after a report showing a rebound in consumer spending and a weaker dollar.

The 30-year bond was down 7/32 to 95 19/32 by early afternoon, pushing the yield up to 5.580 per cent.

Among shorter term issues the two-year note was 3/32 lower at 99 15/32, yielding 5.046 per cent.

US durable goods in March rose 2 per cent after a drop of 3.9 per cent in the previous month. Although the data series is considered volatile, yesterday's report was seen as mildly bearish for US bonds.

However, there was encouragement from a senior Federal Reserve banker for those who fear a return of US inflation.

Cathy Minehan, president of the Federal Reserve Bank of Boston, said there were "almost no signs of increasing price pressures" in the economy despite the high rate of US economic growth and low unemployment rate.

Markets in Europe took their cue from sharply weaker Japanese government bonds after senior officials said a supplementary budget would be required later this year.

JGB futures closed nearly 60 ticks lower while the yield on 10-year bonds rose to 1.475 per cent at the close in Tokyo from 1.415 per cent.

Ian Douglas, fixed income strategist at Warburg Dillon Read, estimated that a supplementary budget would require the issuance of at least an additional Y10,000bn to fill the hole in the budget.

"It was always clear that recent denials of a supplementary budget didn't add up," he said, adding that he expected the yield on 10-year JGBs to rise above 2 per cent by the end of the year.

There were mixed responses to bond auctions in the UK and Germany. Analysts said an auction of just over €4.2bn of the benchmark 10-year bund of July 2009 was well received, although bunds and other European bonds fell slightly as investors had eyes only for the new issues.

The spread of bunds below Treasuries was unchanged at the close in Frankfurt at 144 basis points, while the yield on 10-year bunds rose a fraction to just below 3.87 per cent. In the futures market, the June bund contract was 0.26 lower late yesterday in heavy Eurex trading.

However, an auction of £500m of long-dated index-linked gilts met a cool response from investors and the debt management office failed to attract bids for the full amount on offer.

Officials blamed the outcome on competition from bonds issued yesterday by British Telecom and others. One analyst said the gilts issue had been priced "to look expensive".

The gilt market was not unduly shaken by the result of the auction, however, and prices ended lower but off the floor.

The June gilt contract fell 0.38 to settle at 116.06 as futures trading picked up, with turnover on Liffe of about 55,000 contracts.

Emerging market bonds continued to weaken as a probe into the Brazilian central bank threatened to unsettle the government.

The yield spread over US Treasuries of last week's Brazilian benchmark global issue continued to widen, with the bonds trading at 750 to 765 basis points over US bonds.

Euro.NM plans to harmonise further

By Vincent Boland

Euro.NM, the pan-European alliance of growth-company stock exchanges, is to take further steps to harmonise its listing requirements in the next few months as more exchanges join and more companies seek stock market quotations.

The Stockholm, Copenhagen and Zurich stock markets for growth companies are poised to join the Euro.NM alliance by the end of June, and officials said yesterday that it was likely the alliance would have Irish, Portuguese, Norwegian, Spanish and Finnish membership by the end of this year.

It will be the third agreement among the alliance's five members – the growth company markets of France, Germany, Netherlands, Belgium and Italy.

The continued expansion of the alliance to include the remaining European Union markets would put Euro.NM in a formidable position to influence the way growth companies raise capital.

There is still no definite plan to set up a London leg, although the London Stock Exchange has observer status within the alliance and both sides are likely to establish more formal links at a later stage.

However, the alliance is still not fully integrated technologically.

The Nouveau Marché in Paris, NMAX in Amsterdam and Euro.NM Brussels completed a cross-access package late last year but Frankfurt's Neuer Markt, which accounts for more than 80 per cent of the alliance's market capitalisation, will not be included until later this year.

Rare appearances by two UK blue chips

NEW ISSUES

By Arkady Ostrovsky

British Telecommunications and British Airways, two of the UK's leading companies, made rare appearances in the international capital markets yesterday.

British Telecom launched the largest sterling-denominated issue by a UK corporate. The company issued a £600m 30-year bond, taking advantage of demand for long-dated corporate paper.

The issue was increased from £500m in response to strong demand from investors and was priced to yield 110 basis points over the 30-year gilt benchmark. The bond was British Telecom's first issue since 1997, when it raised $2.5bn with a view to merging with MCI.

Andy Longden, the company's treasurer, said the offering gave British Telecom greater flexibility and cheaper financing than a bank loan. He said issuing a 30-year bond in sterling made particular sense because of the inverted shape of the gilt yield curve.

A banker said there was strong demand for 30-year paper in sterling because UK pensions funds and insurance companies have long-term liabilities that need to be matched by assets and the long-end of the curve was still fairly undeveloped in the euro-zone.

The company would not comment on whether it would swap the fixed-rate proceeds into floating-rate funds. Observers said with a swap spread of more than 80 basis points compared with the euro's 20 basis points, sterling offers better arbitrage opportunities than in the euro, should a company wish to swap.

British Airways launched a €300m preferred security, a hybrid between bond and equity, the first such deal by a UK corporate in the currency. Preferred securities are widely used by US companies and BA's issue highlights the Americanisation of the European capital market, observers said.

The security, which has no maturity date, pays a coupon of 6.75 per cent quarterly and is callable after five years but has no put option.

Warburg Dillon Read, lead manager, said 50 per cent was sold to retail investors. The instrument, which is subordinated to all other forms of debt and is only senior to common equity, is rated Baa1 by Moody's and BBB by Standard and Poor's.

Preferred securities, which are favoured by banks, allow companies to restructure their balance sheets. "Preferred securities are cheaper and more flexible than issuing new shares and do not increase gearing," said Barry Zins at Warburg. The deal was not a funding exercise, but a strategic balance sheet management tool, he added.

MNBA, the US bank that issues credit cards, launched a landmark €750m floating-rate note issue secured by credit card cashflows, the first such deal in the single currency by a US issuer. The five-year notes were priced to yield 14 basis points over Euribor.

The proceeds from the transaction will be swapped back into dollars, and the deal is intended to establish a benchmark in the single currency. The bank has a credit card portfolio of amounting to $42.7bn.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Sprint Capital Corp	750	(a)#	(a)R	May 2004	0.40R	+90-93	Salomon/Warburg DR
Sprint Capital Corp	750	(a)#	(a)R	May 2009	0.50R	+125	Salomon/Warburg DR
Sprint Capital Corp	1.5bn	(a)#	(a)R	May 2019	0.675R	+125-128	Salomon/Warburg DR
Delphi Automotive System	500	(b)#	(b)R	May 2004	0.35R	+102-104	Merrill/M Stanley
Delphi Automotive System	500	(b)#	(b)R	May 2006	0.45R	+133	Merrill/M Stanley
Delphi Automotive System	500	(b)#	(b)R	May 2029	0.875R	+160-163	Merrill/M Stanley
Federal Farm Credit Banks‡	1.5bn	(c)#	(c)R	May 2002	0.075R	+34 area	JP Morgan/M Stanley
Sears Roebuck Accpt Corp	750	(d)#	(d)R	May 2009	0.45R	+120 area	Goldman/JP Morgan
LB Hessen-Thuringen	500	5.75	99.405R	May 2006	0.30R	+65(4%Feb06)	ABN Amro/Dresdner KB
Fed Farm Credit Banks@‡	500	5.125#	(e)R	May 2004	0.0825R		Goldman/Merrill
Bco Comercial Portugues	400	(f)	99.955R	May 2004	0.175R		Deutsche/M Stanley
GECC	300	5.625#	99.81R	May 2005	0.275R	+50(W 5yr)	Warburg Dillon Read
EUROS(€)							
ABN Amro Bank NV(6)	1bn	4.625	99.38R	May 2009	0.40R	+65(3%Jan09)	ABN Amro
Commerzbank AG‡	1bn	(i)	99.86R	May 2002	0.10R		CDC/Commerzbank
MBNA AESO No 5(j)‡	750	(k1)	100.00	May 2004	0.15		CSFB
Caisse Nat des Autoroutes(l)	600	4.375	99.16R	May 2014	0.40R	+33(l)	ABN Amro/CDC/Deutsche
British Airways Finance(m)	300	6.75(n)	100.00	undated	2.00		Warburg Dillon Read
ANZ Banking Group‡	300	(o)	99.982R	May 2001	0.10R		Deutsche Bank
Nordbanken‡	300	(p)	100.05	May 2000	0.05		Salomon Smith Barney
Republic of Turkey(q)	150	9.50	99.625R	May 2004	0.625R		Deutsche/Paribas
STERLING							
British Telecommunications	600	5.75(s)	99.831R	Dec 2028	0.625R	+110(6%-28)	Barclays Capital
Halifax plc(t)	50	5.00	98.945	Feb 2002	1.375		RBC DS Global Markets
SWISS FRANCS							
LGT Finance, Gd Cayman	150	2.75	102.20	Jun 2006	2.50		CSFB
GREEK DRACHMA							
Dresdner Finance BV‡	10bn	(v)	100.00R	May 2002	0.20R		TD Securities

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡Unlisted. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced later, spreads are indicative. b) Priced later, spreads are indicative. c) Priced today. d) Priced today. e) Spread relates to German govt bonds unless stated. f) Spread re French govt bonds. g) Fungible with $1bn. Plus 31 days accrued. g1) Priced today. h) 3-mth Libor +12½bp. i) Over interpolated yield. j) 3-mth Euribor +5bp. k) America Express Structured Offering. k1) 3-mth Euribor +14bp. m) Callable from 12/5/04 at par. n) 3-mth Euribor flat. o) 3-mth Euribor flat. Q) Quarterly. s) Short 1st coupon. t) Fungible with £650m. Plus 45 days accrued. u) Fungible with £100m. Plus 85 days accrued. v) 3-mth Athibid -40bp. §) Subordinated.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 28	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.3613	4.83	+0.11	+0.13	-	-0.15
	08/08	8.750	123.7062	5.48	+0.12	+0.20	-0.01	-0.24
Austria	03/01	5.250	104.4200	2.78	+0.02	+0.02	-0.15	-1.32
	01/08	5.000	107.2400	4.00	+0.03	+0.02	-0.21	-1.10
Belgium	03/01	5.000	104.0500	2.77	+0.03	-	-0.27	-1.44
	03/09	3.750	95.9700	4.13	+0.03	+0.02	-0.16	-0.98
Canada	12/00	5.500	100.3800	4.82	-0.11	-0.16	-0.12	-0.34
	06/08	6.000	106.0000	5.16	+0.01	+0.08	+0.02	-0.31
Denmark	11/00	9.000	108.6400	3.10	+0.05	-	-0.23	-1.36
	11/09	6.000	114.5100	4.26	+0.06	+0.07	-0.14	-1.02
Finland	04/00	10.000	107.4600	2.65	+0.01	-	-0.30	-1.26
	04/09	5.000	107.5400	4.05	-	-0.01	-0.27	-0.98
France	07/08	4.000	101.5700	2.63	-	-0.01	-0.29	-1.50
	04/04	7.250	122.8900	3.48	+0.02	+0.02	-0.24	-1.31
	04/08	4.000	100.1100	3.98	+0.03	+0.04	-0.21	-1.07
	04/29	5.500	109.2500	4.90	+0.03	+0.05	-0.20	-0.68
Germany	05/01	5.000	104.4900	2.71	+0.02	-0.02	-0.27	-1.29
	01/08	5.000	114.0700	3.59	+0.04	+0.03	-0.24	-1.26
	01/09	3.750	99.0200	3.87	+0.04	+0.06	-0.18	-1.17
	07/28	4.750	98.0800	4.87	+0.04	+0.06	-0.19	-0.72
Greece	03/00	8.600	105.5200	6.05	-0.01	-0.25	-0.21	-0.78
	01/09	6.300	102.2500	5.85	-	-0.05	-0.22	-2.19
Ireland	10/01	6.500	108.8600	2.84	+0.02	+0.02	-0.18	-1.34
	08/08	6.000	116.0600	3.91	+0.03	-	-0.26	-1.28
Italy	07/01	4.500	103.4600	2.84	+0.02	-	-0.24	-1.73
	07/03	4.500	105.0000	3.20	+0.02	+0.01	-0.22	-1.41
	05/08	4.500	103.3800	4.08	+0.02	+0.02	-0.21	-1.11
	11/27	6.500	121.2000	5.08	+0.01	+0.04	-0.20	-0.82
Japan	12/00	6.900	110.9030	0.18	+0.03	+0.03	-0.01	-0.34
	12/03	4.100	115.7980	0.63	+0.05	-0.02	-0.21	-0.43
	06/08	1.800	104.1490	1.32	+0.05	-0.04	-0.34	-0.20
	09/18	2.300	100.7420	2.25	+0.03	-0.04	-0.26	-0.13
Netherlands	01/01	8.000	110.2200	2.74	+0.03	+0.02	-0.22	-1.40
	07/09	3.750	97.7900	4.02	+0.04	+0.04	-0.17	-0.99
New Zealand	02/01	8.000	105.4315	4.73	+0.02	+0.06	-0.11	-3.02
	07/09	7.000	108.2174	5.79	+0.06	+0.12	-0.02	-1.10
Norway	05/01	7.000	104.3100	4.76	+0.02	+0.13	-0.07	+0.36
	05/09	5.500	105.7000	4.77	+0.07	+0.10	-0.16	-0.86
Portugal	03/00	5.375	102.2900	2.70	+0.01	-0.02	-0.28	-1.58
	06/08	5.375	109.4400	4.11	+0.03	+0.02	-0.17	-1.04
Spain	01/01	5.000	103.8900	2.68	+0.03	-	-0.23	-1.51
	07/09	0.000	107.2200	4.13	+0.03	+0.04	-0.39	-1.02
Sweden	05/00	10.250	107.0181	3.02	+0.02	+0.05	-0.05	-1.67
	05/08	6.500	116.5900	4.24	+0.04	+0.11	-0.21	-1.08
Switzerland	06/00	4.500	103.6300	1.15	-0.03	+0.01	-0.22	-0.81
	01/08	4.250	116.1000	2.19	-0.05	-0.03	-0.10	-0.95
UK	11/01	7.000	104.5000	5.07	+0.02	+0.19	+0.30	-1.50
	12/03	6.500	106.8000	4.81	+0.04	+0.16	+0.20	-1.14
	12/08	5.750	109.5200	4.80	+0.03	+0.13	+0.05	-1.29
	12/28	6.000	122.5700	4.60	+0.07	+0.18	+0.07	-1.23
US	01/01	4.500	99.1334	5.02	+0.01	+0.04	-0.02	-0.69
	02/04	4.750	98.3880	5.14	+0.05	+0.09	-0.01	-0.73
	11/08	4.750	96.2438	5.26	+0.04	+0.10	-0.01	-0.81
	02/29	5.250	95.2533	5.58	+0.03	+0.06	-0.07	-0.53

London closing. * New York mid day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Apr 28	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.48	+1.63	+0.22	Netherlands	3.98	+0.13	-1.28
Austria	4.03	+0.18	-1.23	New Zealand	5.79	+1.94	+0.53
Belgium	4.13	+0.28	-1.13	Norway	4.77	+0.92	-0.49
Canada	5.18	+1.33	-0.08	Portugal	4.14	+0.29	-1.12
Denmark	4.24	+0.39	-1.02	Spain	4.09	+0.24	-1.17
Finland	4.07	+0.22	-1.19	Sweden	4.30	+0.45	-0.96
France	3.98	+0.13	-1.28	Switzerland	2.45	-1.40	-2.81
Germany	3.85	-	-1.41	UK	4.68	+0.83	-0.58
Greece	5.79	+1.94	+0.53	US	5.26	+1.41	-
Ireland	3.94	+0.09	-1.32				
Italy	4.12	+0.27	-1.14				
Japan	1.43	-2.42	-3.83				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Apr 28	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	92.4272	10.15	+0.02	+0.71	+5.08
Poland	07/04	7.125	BBB-	104.8416	6.00	+0.02	-0.38	+0.86
Russia	06/07	10.000	n/a	38.1706	31.35	-0.15	-10.52	+26.14
LATIN AMERICA								
Argentina	09/27	9.750	BB	86.3300	11.37	+0.11	-0.48	+5.82
Brazil	05/27	10.125	B+	78.0000	13.09	+0.15	-1.35	+7.54
Mexico	05/26	11.500	BB	118.3500	9.59	-0.02	-0.86	+4.06
ASIA								
China	07/06	7.750	BBB+	105.1343	6.83	-0.02	-0.82	+1.84
Philippines	10/16	8.750	BB+	95.9500	9.22	+0.07	-0.28	+3.85
Thailand	04/07	7.750	BBB-	103.5238	7.16	-0.05	-0.38	+1.95
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	103.0439	6.44	+0.02	-1.36	+1.44
South Africa	10/06	8.375	BB+	102.4062	7.94	+0.04	-0.48	+2.76
Turkey	09/07	10.000	B	94.1000	11.09	+0.10	-0.46	+5.88
BRADY BONDS								
Argentina	03/23	5.750	BB	70.3750	9.05	+0.10	-0.08	+3.57
Brazil	04/14	5.000	B+	87.5000	12.45	+0.15	-1.03	+7.11
Mexico	12/19	6.250	BB	80.0000	8.29	-0.01	-0.16	+2.87
Venezuela	03/20	6.750	B+	73.0000	9.81	+0.21	-1.05	+4.37

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.22	95.97	-0.30	96.24	95.87	36,662	95,185
Sep	-	95.75	-0.30	-	-	0	0

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Jul	Puts May	Puts Jun	Puts Jul
93	3.29	3.31	-	-	0.03	-
94	2.29	2.36	-	-	0.08	-
95	1.33	1.50	-	0.01	0.34	-
96	0.32	0.80	-	0.10	0.74	-

Est. vol. total, Calls - Puts - . Previous day's open int., Calls - Puts -

Germany

NOTIONAL EURO BUND FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	115.74	115.48	-0.28	115.78	115.45	388,323	573,667
Sep	115.60	115.23	-0.28	115.80	115.23	24,387	29,102

NOTIONAL EURO BUND (BOBL) FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109.78	109.62	-0.17	109.78	109.60	142,626	250,960

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.77	114.67	-0.10	114.77	114.43	11643	37407

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.15	98.88	-0.17	99.15	98.78	12,838	22,878

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	107.32	-0.13	-	-	0	0
Sep	-	107.32	-0.13	-	-	0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	116.42	116.06	-0.38	116.47	115.88	53974	86914
Sep	-	115.78	-0.38	-	-	0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Jul	Calls Sep	Puts Jul	Puts Sep
11550	1.24	1.71	0.98	1.43
11600	0.99	1.46	1.21	1.68
11650	0.78	1.24	1.50	1.96
11700	0.60	1.04	1.82	2.26
11750	0.45	0.86	2.17	2.58
11800	0.33	0.71	2.55	2.93

Est. vol. total, Calls 1 Puts 100. Previous day's open int., Calls 11459 Puts 8631

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	121-24	121-11	-0-12	121-18	121-07	241,546	582,997
Sep	121-06	120-27	-0-13	121-02	120-25	3,931	42,439
Dec	120-25	-	-	-	-	1	4,484

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	134.96	135.06	-	135.08	134.93	1056	n/a
Sep	134.16	134.22	-	134.16	134.16	50	n/a

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	108.90	108.36	-0.48	108.90	108.90	1	20

NOTIONAL EFB SWAP FUTURES (LIFFE)* 5yr 4.0% €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	102.34	-0.14	-	-	0	314

NOTIONAL EFB SWAP FUTURES (LIFFE)* 10yr 4.5% €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	101.66	-0.33	-	-	0	367

* Traded on APT prior to listing on LIFFE CONNECT™ on 10/5/99. All open interest figs. are for previous day.

INTEREST RATE SWAPS

Apr 28	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.70	2.73	5.39	5.42	1.21	1.25	5.25	5.28	0.17	0.20
2 year	2.83	2.87	5.46	5.49	1.45	1.53	5.45	5.48	0.26	0.29
3 year	3.00	3.04	5.53	5.57	1.73	1.81	5.58	5.61	0.43	0.46
4 year	3.21	3.25	5.53	5.57	1.96	2.04	5.67	5.70	0.64	0.67
5 year	3.41	3.45	5.49	5.53	2.18	2.26	5.73	5.76	0.87	0.90
6 year	3.61	3.65	5.45	5.49	2.39	2.47	5.78	5.81	1.09	1.12
7 year	3.81	3.85	5.42	5.46	2.59	2.67	5.83	5.86	1.29	1.32
8 year	3.99	4.03	5.41	5.45	2.78	2.86	5.88	5.91	1.47	1.50
9 year	4.14	4.18	5.41	5.45	2.94	3.02	5.92	5.95	1.62	1.65
10 year	4.25	4.29	5.41	5.45	3.09	3.17	5.96	5.99	1.76	1.79
12 year	4.42	4.46	5.42	5.47	3.32	3.42	6.04	6.07	1.99	2.02
15 year	4.62	4.66	5.43	5.48	3.58	3.68	6.13	6.17	2.23	2.27
20 year	4.86	4.90	5.43	5.48	3.82	3.92	6.22	6.25	2.42	2.46
25 year	4.98	5.02	5.42	5.49	3.93	4.03	6.22	6.25	2.47	2.51
30 year	5.03	5.07	5.42	5.49	4.03	4.13	6.23	6.26	2.52	2.56

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 month Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 month Libor. Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

US CORPORATE BONDS

Apr 27	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	104.5221	5.66	-0.02	-0.07	+0.68
NY Tel	08/25	7.00	A+	98.3695	7.12	-0.02	-0.01	+1.58
GTE	05/06	6.00	BBB	112.3171	6.17	-0.01	-0.07	+0.98
FINANCIALS								
GECC	05/07	8.75	AAA	117.3057	5.97	-0.02	-0.01	+0.78
Banc One	08/02	7.25	A	104.1211	5.83	-0.02	-0.03	+0.83
CNA Fin	01/18	6.95	A-	95.3425	7.41	-0.02	-0.29	+1.87
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0000	5.39	-0.14	-0.33	+0.21
Wal Mart	05/02	6.75	AA	103.8902	5.41	-0.02	-0.03	+0.41
Dayton Hud	06/21	9.70	A-	132.3242	6.82	-0.03	-0.10	+1.28
AGENCIES								
FHLMC	04/07	7.14	N/A	108.3828	5.80	-0.05	+0.05	+0.59
SLMA	03/00	7.00	N/A	101.8170	5.16	-0.03	+0.05	+0.11
FNMA	02/18	8.95	N/A	131.5929	6.10	-0.03	-0.05	+0.46
FFCB	06/08	8.95	N/A	118.7573	5.69	-0.04	-0.05	+0.48
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.8750	0.00	-	-	-
AK St	12/01	9.13	BB-	105.7500	0.00	-	-	-
Pacelis	08/04	10.75	B-	111.0000	0.00	-	-	-

NY close. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	7¾	One month	-	Two year	5.03
Broker loan rate	6½	Two month	-	Three year	5.04
Fed.funds	4¹³⁄₁₆	Three month	4.51	Five year	5.14
Fed.funds at intervention	4½	Six month	4.61	10-year	5.26
		One year	4.73	30-year	5.58

INTERNATIONAL BONDS

Apr 28	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs Govts
US$								
EIB	04/07	7.250	AAA	108.0610	5.95	+0.06	+0.07	+0.74
ABN Amro	08/07	7.125	AA-	103.6283	6.50	+0.04	+0.04	+1.29
Quebec	01/07	7.000	A+	105.1600	6.18	+0.04	+0.04	+0.94
Citicorp FRN	02/04	5.088	AA-	99.9265	5.32	+0.04	+0.09	+0.18
C$								
Bayer L-Bk	06/04	9.500	AAA	117.5444	5.56	+0.02	-	+0.22
Toronto (M of)	05/04	6.500	AA-	112.7384	5.35	+0.02	-	+0.19
Bell Canada	07/99	10.625	A+	100.9777	5.24	+0.01	-0.13	+1.27
Deutsche B FRN	09/02	5.875	AA+	100.4947	5.71	-0.01	+0.07	+0.54
£								
EIB	12/07	7.625	AAA	115.0092	5.39	+0.04	+0.10	+0.57
Dresdner Bk	12/07	7.750	AA-	110.5632	6.12	+0.04	+0.13	+1.30
British Gas	03/00	7.625	A-	101.7100	5.61	-0.04	+0.13	+0.84
Abbey Nat FRN	02/02	5.587	AA	99.9359	5.20	+0.02	+0.33	+0.20
SFr								
EIB	01/08	3.750	AAA	104.2595	3.18	-0.04	-0.09	+0.94
Brit Columbia	02/02	3.250	AA	103.9733	1.78	-0.01	-0.14	+0.22
Hydro-Quebec	05/01	6.750	A+	108.7280	2.34	-0.03	-0.17	+1.01
Gen Elect	09/01	1.250	AAA	98.7183	1.33	-0.03	-0.16	-
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.2188	0.29	-0.02	-0.16	-0.04
Spain (Kingdom)	03/02	3.750	AA+	110.5849	0.29	-0.02	-0.19	-0.04
Cred Foncier	08/02	4.750	A	112.5780	0.63	+0.03	-0.11	+0.50
Italy (Rep of)	07/99	0.207	AA	99.9805	0.29	+0.03	-	+0.05
A$								
IBRD (World Bk)	02/08	6.000	AAA	102.3411	5.65	+0.12	-0.03	+0.20
Nw Sth Wales Tr	05/06	6.500	n/a	104.4637	5.72	+0.13	+0.01	+0.37
S. Aus Gov Fin	06/03	7.750	AA	107.5997	5.64	+0.12	-	+0.58
GMAC Aust	05/01	9.000	n/a	106.8932	5.36	+0.10	-0.08	+0.52

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Government Securities — UK Indices

Price Indices UK Gilts	Wed Apr 28	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Yield	Duration Years	% Weight
1 Up to 5 years (15)	120.41	-0.04	2.22	2.84	1207.21	4.98	2.27	33.45
2 5-10 years (11)	168.88	-0.24	3.07	2.41	1327.00	4.81	5.78	29.61
3 10-15 years (7)	183.11	-0.36	2.63	2.65	1444.93	4.72	8.58	13.63
4 5-15 years (18)	173.01	-0.28	2.94	2.48	1380.66	4.77	6.66	43.24
5 Over 15 years (4)	228.68	-0.56	4.41	1.23	1582.91	4.69	11.72	22.54
6 Irredeemables (4)	315.39	-0.64	4.80	2.21	1842.85	4.80	20.99	0.78
7 All stocks (41)	164.26	-0.26	2.95	2.54	1348.76	4.77	6.42	100.00

Index-linked	Wed Apr 28	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	224.21	-0.32	1.65	1.26	1170.89	14.71
2 Over 5 years (9)	258.92	-1.50	1.37	2.74	1409.60	85.29
3 5-15 years (5)	242.40	-1.13	1.39	2.32	1313.77	42.30
4 Over 15 years (4)	274.04	-1.87	1.34	3.20	1497.56	42.99
5 All stocks (11)	252.53	-1.32	1.41	2.48	1375.68	100.00

Yield Indices	Apr 28	Apr 27	Yr ago	Yield Indices	Apr 28	Apr 27	Yr ago
5 yrs	4.89	4.85	6.09	Irred †	4.80	4.77	5.97
10 yrs	4.75	4.70	5.92	Med. 15 yrs	4.73	4.68	5.89
15 yrs	4.71	4.67	5.88	High 15 yrs	4.80	4.77	5.97
20 yrs	4.70	4.66	5.86				

Coupon Bands: Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

Real yield	Inflation 0% Apr 28	Dur yrs	Apr 27	Yr ago	Inflation 5% Apr 28	Dur yrs	Apr 27	Yr ago
Up to 5 yrs	3.34	3.17	3.23	3.64	2.47	3.18	2.36	2.78
Over 5 yrs	2.08	13.30	1.97	3.05	1.87	13.40	1.76	2.83
5-15 yrs	2.13	9.56	2.01	3.16	1.85	9.60	1.73	2.83
Over 15 yrs	2.05	17.02	1.94	3.00	1.89	17.12	1.78	2.83
All Stocks	2.13	11.73	2.02	3.06	1.90	11.86	1.78	2.83

FT Fixed Interest Indices

	Apr 28	Apr 27	Apr 26	Apr 23	Apr 22	Yr ago	High*	Low*
Govt. Secs. (UK)	110.09	110.39	110.79	111.05	111.09	104.49	117.17	93.31
Fixed Interest	153.87	154.35	154.71	154.93	154.62	141.41	158.45	115.32

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 10½pc 1999		10.47	5.07	100.2900	-.0100	103.79	100.29
Treas 6pc 1999		5.98	4.87	100.2800	—	100.50	98.64
Conv 10¼pc 1999		9.96	5.00	102.8700	-.0200	105.37	102.87
Treas 8½pc 2000	☆	8.30	5.08	102.4700	-.0200	103.54	101.61
Conv 9pc 2000		8.72	4.98	103.2800	-.0200	104.38	102.86
Treas 13pc 2000		11.93	4.86	109.2700	-.0200	113.78	109.27
Treas 8pc 2000		7.86	5.06	104.4600	-.0300	105.84	102.22
Treas Fltg Rate 2001		-	-	100.6600	-.0500	100.82	100.17
Treas 10pc 2001		9.22	5.08	108.4600	-.0300	110.37	107.11
Conv 9¾pc 2001	☆	8.70	5.06	109.1400	-.0300	110.69	108.73
Conv 9¾pc 2001	☆	8.86	5.04	110.0300	-.0300	111.80	107.58
Treas 7pc 2001		6.70	5.06	104.5500xd	-.0600	108.51	100.71
Conv 10pc 2002	☆	8.83	5.09	113.2800	-.0900	116.41	110.86
Treas 7pc 2002		6.62	4.97	105.7800	-.0900	108.13	101.42
Conv 9½pc 2002	☆	8.44	5.09	112.5800	-.0900	115.64	109.75
Treas 9¾pc 2002		8.54	5.07	114.1800	-.0900	117.29	111.29
Exch 9pc 2002	☆	7.99	5.07	112.6400	-.0900	115.62	108.87
Conv 9¾pc 2003	☆	8.33	5.02	117.0200xd	-.0900	120.19	112.78
Treas 8pc 2003		7.18	4.91	111.3800	-.1300	114.74	106.58
Treas 10pc 2003		8.37	4.96	119.5400	-.1500	123.52	115.44
Treas 13¾pc 2000-3	☆	12.45	4.95	110.4500	-.0200	115.80	110.45
Treas 6½pc 2003		6.08	4.80	106.9300	-.1300	110.21	100.08
Treas 11½pc 2001-4		10.33	5.13	111.3200	-.0500	113.90	110.80
Treas 10pc 2004	☆	8.17	4.92	122.4500	-.1500	126.55	117.36
Five to Fifteen Years							
Funding 3½pc 1999-4		3.70	4.57	94.6900	+.1900	98.98	91.82
Conv 9½pc 2004		7.78	4.85	122.1700	-.2100	126.48	116.53
Treas 6¾pc 2004		6.16	4.77	109.5300	-.2000	113.28	102.86
Conv 9½pc 2005		7.68	4.88	123.6800	-.2700	128.16	117.84
Exch 10½pc 2005	☆	8.03	4.85	130.7000	-.2700	135.46	124.90
Treas 12½pc 2003-5		9.56	4.32	130.7700	-.1500	135.55	127.40
Treas 8½pc 2005		7.05	4.83	120.5500	-.3000	125.31	113.85
Conv 9¾pc 2006	☆	7.46	4.84	130.7000	-.3400	136.21	123.08
Treas 7¾pc 2006		6.59	4.86	117.6800	-.3000	122.40	110.47
Treas 8pc 2002-6		7.39	5.12	108.8900	-.1000	111.73	104.96
Treas 7½pc 2006		6.42	4.83	116.7900	-.3200	121.62	109.33
Treas 11¾pc 2003-7	☆	9.57	4.47	122.7200	-.0900	126.29	119.81
Treas 8½pc 2007		6.83	4.84	124.5100	-.3500	129.86	116.89
Treas 7¼pc 2007		6.19	4.78	117.2000	-.3500	122.55	109.22
Treas 13½pc 2004-8	☆	9.81	4.80	137.6000	-.2100	142.61	133.46
Treas 9pc 2008		6.81	4.73	132.2500	-.4300	138.52	123.05
Treas 8pc 2009		6.31	4.68	126.7600	-.4300	132.91	116.57
Treas 5¾pc 2009		5.25	4.60	109.5200	-.3200	114.67	99.36
Treas 6¼pc 2010		5.48	4.67	113.9700	-.4400	118.76	102.47
Conv 9pc Ln 2011		6.47	4.73	139.1500	-.5200	145.31	127.22
Treas 9pc 2012		6.36	4.75	141.4000	-.5600	147.74	128.50
Treas 5½pc 2008-12		5.12	4.53	107.3300	-.3800	112.28	96.82
Treas 8pc 2013		5.99	4.75	133.5300	-.6200	139.64	119.90
Treas 7¾pc 2012-15		6.07	4.81	127.7600	-.5300	133.56	115.94
Over Fifteen Years							
Treas 8pc 2015		5.82	4.71	137.5000	-.6700	144.12	122.40
Treas 8¾pc 2017		5.88	4.72	148.8900	-.7700	156.08	131.97
Exch 12pc 2013-17	☆	6.80	4.70	176.5300	-.5200	183.80	160.87
Treas 8pc 2021		5.51	4.69	145.1200	-.9000	153.21	135.35
Treas 6pc 2028		4.89	4.59	122.6800	-1.1300	131.17	102.84
Undated							
Consols 4pc		4.99	-	80.1800	-.7000	87.19	63.10
War Loan 3½pc		4.78	-	73.5300	-.5300	79.83	58.62
Conv 3½pc '61 Aft.		4.09	-	85.5300	-.5300	95.68	75.62
Treas 3pc '66 Aft.		5.19	-	57.7800	+.0400	61.83	46.25
Consols 2½pc		4.74	-	52.7800	+.0400	56.93	41.25
Treas. 2½pc		4.85	-	51.4100	-.2900	55.17	40.66

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
	(b)						
2½pc '99	☆	2.24	4.19	195.2800	-.4900	198.18	191.35
2½pc '01	(78.3)	2.73	3.20	202.7200	-.4900	205.40	197.98
2½pc '03	(78.8)	2.32	2.61	204.0600	-.8300	207.83	195.37
4⅜pc '04	(135.6)	1.97	2.19	132.2900	-.7100	134.77	128.23
2pc '06	(69.5)	1.65	1.81	235.2100	-1.7700	239.80	211.98
2½pc '09	(78.8)	1.79	1.91	215.8300	-2.4200	221.46	192.62
2½pc '11	(74.6)	1.87	1.98	228.5500	-2.9800	235.82	202.03
2½pc '13	(89.2)	1.90	1.99	192.3000	-2.8100	199.07	168.63
2½pc '16	(81.6)	1.90	1.98	212.4800	-3.5400	221.10	183.37
2½pc '20	(83.0)	1.91	1.96	211.7600	-4.0200	221.68	178.82
2½pc '24	(97.7)	1.87	1.93	183.7300	-3.9400	193.74	151.30
4⅛pc '30	(135.1)	1.82	1.88	182.4500	-3.9100	193.23	149.11

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1998: 163.7 and for March 1999: 164.1.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.48	5.38	136⅝	—	140⅞	128⅞
B'ham 11½pc 2012		7.40	5.65	155½xd	—	158¼	145½
Leeds 13½pc 2006		9.18	-	147	—	152	141½
Liverpool 3½pc Irred		5.19	-	67½	—	70½	55
LCC 3pc '20 Aft		5.56	-	54	—	59	47
Manchester 11½pc 2007		8.19	5.49	140½	—	151¾	133½
Met. Wtr. 3pc 'B'		3.26	5.55	92	—	95	85
N'wide Anglia 3⅞pc IL 2021		-	3.07	189⅞	—	192⅞	172¼
4⅛pc IL 2024		-	3.15	180⅞	—	187½	164⅞

☆ 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Gestens closing prices. ☆ Indicative price.

CURRENCIES & MONEY

Yen buoyed by strong economic data

MARKETS REPORT

By Christopher Swann

Robust industrial production figures and renewed speculation of another fiscal stimulus package sparked a sharp rise in the yen yesterday.

In Asian trading the yen surged from Y120.20 to Y118.5 within the space of a few hours before ending the London session at Y119.2.

The yen's rise was aided by a raft of economic releases which surpassed the market's expectations. Industrial production figures rose 2.2 per cent month-on-month, reflecting, according to one economist, the delayed impact of the government's previous fiscal stimulus package.

Meanwhile the euro surrendered early gains amid reports that Vuk Draskovic, Yugoslav deputy prime minister and an advocate of compromise with Nato, had been dismissed. By the end of the London session the euro had fallen back to $1.063.

■ *Speculation over further fiscal stimulus in Japan was fuelled by comments from Okiharu Yasuoka, chairman of the financial revitalisation committee. An extra budget in excess of Y10,000bn would be needed to revive the economy, he said.*

"Officials opposing a supplementary budget are shrinking in number and now seem to be confined to the prime minister and his inner circle," said Alison Cottrell, chief international economist Paine Webber.

But Nick Parsons, chief currency strategist at Paribas in London, observed that despite yesterday's turbulence *in spot rates, dollar-yen options volatilities continued to fall. "This indicates that the market is very comfortable with the idea of the yen trading in a very tight range," he said.*

■ *The barrage of euro-friendly comments from officials continued yesterday.*

Ernst Welteke, Bundesbank council member, stepped into the fray, suggesting that a continued depreciation could lead to inflation in the euro-zone.

Analysts speculated that European monetary authorities had awoken to the danger of a self-perpetuating downward spiral.

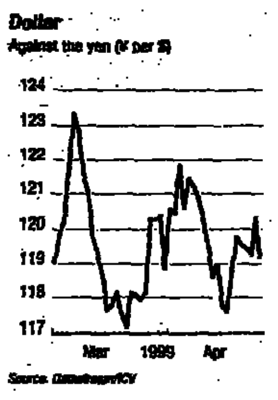
"They may have taken the view that cumulative downward instability would set in below $1.05, forcing the currency to parity quite *quickly," said Ravi Bulchandani*, senior currency economist at Morgan Stanley Dean Witter. It was hard to justify concern on inflationary grounds at least in the short term, he said.

Others suggested the European Central Bank may have feared that long term prospects of creating a reserve currency could be imperilled by excessive euro weakness.

"This is a prize European politicians and central bankers are keen to win," said Michael Lewis, senior economist at Deutsche Bank.

Dollar

Against the yen (Y per $)



Source: Datastream/ICV

■ The Australian dollar received a double shot in the arm yesterday by a spike up in key commodity prices and a pick-up in inflation.

The Aussie surged half a cent against the dollar to close in London at $0.6534, resuming an upward march interrupted earlier this week by the IMF's gold sale plans.

James McKay, global markets strategist at the Commonwealth Bank of Australia, said the currency could continue to rise on the back of commodity prices. Lower production capacity, he added, meant even a small increase in demand would produce a sharp rise in prices.

■ Russian negotiations with the International Monetary Fund and World Bank were very much a side-show for foreign exchange markets yesterday.

The release of another tranche of IMF credit for the country would be slightly euro positive, analysts said. But either way, the outcome of the talks was not expected to have a significant impact outside Russia. "Markets have written off Russia," said Paul Chertkow, head of global research at the Bank of Tokyo-Mitsubishi.

But IMF negotiations could well produce some liberalisation of currency controls, said Arnab Das at J.P. Morgan. "In the short term this might be negative for the rouble because it would unlock repressed demand for dollars. But once the market equilibrates, *Russians might* be more willing to hold roubles if they feel the exchange rate is at the market-clearing price," he said.

■ **POUND IN NEW YORK**

Apr 28	—Latest—	— Prev. close —
£ spot	1.6140	1.6175
1 mth	1.6135	1.6170
3 mth	1.6128	1.6163
1 yr	1.6133	1.6169

■ **OTHER CURRENCIES**

Apr 28	£	$
Czech Rp	57.3163 - 57.3556	35.5000 - 35.5260
Hungary	381.136 - 381.656	236.050 - 236.250
Iran	4846.90 - 4843.80	3000.00 - 3000.00
Kuwait	0.4929 - 0.4934	0.3053 - 0.3054
Peru	5.3831 - 5.3936	3.3340 - 3.3360
Poland	6.4261 - 6.4452	3.9500 - 3.9900
Russia	39.6869 - 39.8407	24.5800 - 24.6600
U.A.E.	5.9299 - 5.9343	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.9012	+0.0159	908 - 116	20.9159	20.8357	20.8397	2.6	20.7472	2.6	20.38	2.5	102.2
Belgium*	(BFr)	61.2743	+0.0466	438 - 048	61.3180	61.0820	61.0938	2.6	60.8229	2.6	59.6878	2.5	101.6
Denmark	(DKr)	11.2912	+0.0081	836 - 987	11.2987	11.2568	11.2625	2.2	11.222	2.2	11.0485	2.1	104.7
Finland*	(FM)	9.0313	+0.0069	268 - 358	9.0380	9.0030	9.0047	2.6	8.9648	2.6	8.7874	2.5	80.4
France*	(FFr)	9.9637	+0.0076	587 - 686	9.9707	9.9329	9.9343	2.6	9.8902	2.6	9.7056	2.5	104.6
Germany*	(DM)	2.9708	+0.0022	693 - 723	2.9730	2.9608	2.9621	2.6	2.9489	2.6	2.8939	2.5	102.4
Greece	(Dr)	496.280	+1.3450	908 - 652	496.652	493.143	496.525	-3.0	499.93	-4.0	510.894	-3.2	81.4
Ireland*	(I£)	1.1963	+0.0009	957 - 969	1.1971	1.1925	1.1938	2.6	1.1875	2.6	1.1654	2.5	91.6
Italy*	(L)	2941.10	+2.2400	963 - 256	2943.18	2931.87	2932.43	2.6	2919.43	2.6	2864.95	2.5	74.6
Luxembourg*	(LFr)	61.2743	+0.0466	438 - 048	61.3180	61.0820	61.0938	2.6	60.8229	2.6	59.6878	2.5	101.6
Netherlands*	(Fl)	3.3474	+0.0026	457 - 490	3.3497	3.3368	3.3375	2.6	3.3227	2.6	3.2607	2.5	100.8
Norway	(NKr)	12.5930	+0.0141	850 - 009	12.6276	12.5498	12.5876	-1.8	12.6231	-1.4	12.6301	-0.4	94.8
Portugal*	(Es)	304.522	+0.2310	371 - 674	304.743	303.567	303.826	2.6	302.279	2.6	296.838	2.5	91.2
Spain*	(Pta)	252.732	+0.1920	606 - 858	252.910	251.940	251.988	2.6	250.87	2.6	246.189	2.5	76.1
Sweden	(SKr)	13.5475	+0.0429	352 - 597	13.5597	13.4568	13.4802	2.2	13.4282	2.3	13.2116	2.2	81.4
Switzerland	(SFr)	2.4427	+0.0061	411 - 442	2.4450	2.4343	2.4281	4.2	2.4107	4.2	2.3404	3.9	105.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.1
Euro	(€)	1.5190	+0.0012	182 - 197	1.5201	1.5139	1.5145	2.8	1.5078	2.6	1.4796	2.5	-
SDR†	-	1.191600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6149	-0.0012	144 - 154	1.6220	1.6148	-	-	-	-	-	-	-
Brazil	(R$)	2.7425	-0.0166	400 - 449	2.7635	2.7400	-	-	-	-	-	-	-
Canada	(C$)	2.3849	-0.0061	833 - 864	2.3972	2.3833	2.39	0.5	2.3881	0.5	2.3802	0.5	79.8
Mexico	(New Peso)	15.0091	-0.0694	964 - 218	15.0697	14.9984	15.2752	-15.7	15.6889	-18.2	17.8174	-18.2	-
USA	($)	1.6151	-0.0012	146 - 156	1.6222	1.6146	1.6158	0.4	1.6151	0.3	1.6155	0.0	108.3
Pacific/Middle East/Africa													
Australia	(A$)	2.4717	-0.0167	699 - 734	2.4903	2.4640	2.4873	0.5	2.4853	0.5	2.4782	0.4	84.1
Hong Kong	(HK$)	12.5179	-0.0084	136 - 222	12.5729	12.5160	12.5218	0.4	12.5227	0.1	12.6437	-0.9	-
India	(Rs)	69.1505	-0.0514	210 - 800	69.3810	69.1210	69.493	-5.0	70.1346	-5.4	74.0707	-7.0	-
Indonesia	(Rupiah)	13752.59	-107.3000	795 - 722	13901.60	13707.00	14137.75	-24.1	14636.66	-22.4	16599.34	-19.8	-
Israel	(Shk)	6.6789	+0.0205	615 - 963	6.6872	6.6450	-	-	-	-	-	-	-
Japan	(Y)	192.447	-1.7920	331 - 563	194.420	191.420	193.454	4.8	191.754	5.1	184.644	4.9	131.4
Malaysia	(M$‡)	6.1374	-0.0046	694 - 741	6.1644	6.1364	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.9355	-0.0134	324 - 385	2.9477	2.9336	2.947	0.8	2.9435	0.7	2.9357	0.4	95.2
Philippines	(Peso)	61.3739	-0.1264	126 - 351	61.6351	61.1126	61.7658	-5.2	62.2694	-5.0	64.6858	-5.2	-
Saudi Arabia	(SR)	6.0575	-0.0040	548 - 601	6.0899	6.0548	6.0627	-0.2	6.0721	-0.7	6.1312	-1.1	-
Singapore	(S$)	2.7422	-0.0064	405 - 438	2.7532	2.7382	2.7382	4.1	2.722	3.9	2.6848	3.0	-
South Africa	(R)	9.7673	-0.0432	481 - 865	9.8346	9.7481	9.8786	-8.3	10.013	-8.3	10.573	-7.8	-
South Korea	(Won)	1905.41	-8.6700	442 - 641	1915.34	1903.80	-	-	-	-	-	-	-
Taiwan	(T$)	52.7885	-0.0377	687 - 123	53.0151	52.7687	52.7927	0.8	52.7872	0.3	53.0272	-0.4	-
Thailand	(Bt)	60.4129	-0.4166	376 - 881	60.9580	58.7810	60.8085	0.4	60.8884	-0.4	61.486	-1.1	-

† Rates for Apr 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria*	(Sch)	12.9412	+0.0195	387 - 436	12.9436	12.8573	12.918	2.2	12.8653	2.3	12.6219	2.5	101.9
Belgium*	(BFr)	37.9384	+0.0570	313 - 455	37.9455	37.7220	37.8704	2.2	37.7161	2.3	37.0023	2.5	101.7
Denmark	(DKr)	6.9910	+0.0102	885 - 935	6.9935	6.9517	6.9804	1.8	6.9583	1.9	6.8485	2.0	103.9
Finland*	(FM)	5.5918	+0.0084	907 - 928	5.5928	5.5599	5.5818	2.2	5.5591	2.3	5.4539	2.5	79.7
France*	(FFr)	6.1691	+0.0093	679 - 702	6.1702	6.1339	6.1581	2.1	6.133	2.3	6.0169	2.5	104.2
Germany*	(DM)	1.8394	+0.0027	391 - 397	1.8397	1.8209	1.8361	2.2	1.8286	2.3	1.794	2.5	102.1
Greece	(Dr)	307.275	+1.0800	140 - 410	307.410	304.580	308.325	-4.1	310.525	-4.2	317.125	-3.2	81.2
Ireland*	(I£)	1.3502	-0.0020	499 - 504	1.3579	1.3499	1.3526	-2.1	1.3581	-2.4	1.3843	-2.5	-
Italy*	(L)	1821.00	+2.7400	066 - 134	1821.34	1810.61	1817.73	2.2	1810.34	2.3	1776.07	2.5	74.6
Luxembourg*	(LFr)	37.9384	+0.0570	313 - 455	37.9455	37.7220	37.8704	2.2	37.7161	2.3	37.0023	2.5	101.7
Netherlands*	(Fl)	2.0725	+0.0031	721 - 729	2.0729	2.0607	2.0688	2.1	2.0603	2.3	2.0213	2.5	100.6
Norway	(NKr)	7.7970	+0.0145	945 - 995	7.8002	7.7525	7.8102	-2.0	7.8293	-1.7	7.8309	-0.4	94.0
Portugal*	(Es)	188.547	+0.2830	512 - 582	188.582	187.470	188.209	2.2	187.443	2.3	183.895	2.5	91.7
Spain*	(Pta)	156.491	+0.2350	451 - 510	156.510	155.590	156.2	2.2	155.564	2.3	152.62	2.5	75.7
Sweden	(SKr)	8.3880	+0.0328	830 - 930	8.3930	8.3190	8.3761	1.7	8.3471	1.9	8.2135	2.1	81.3
Switzerland	(SFr)	1.5124	+0.0049	119 - 129	1.5129	1.5036	1.5078	3.6	1.4976	3.9	1.4538	3.9	105.8
UK	(£)	1.6151	-0.0012	146 - 156	1.6222	1.6146	1.6146	0.4	1.6139	0.3	1.6143	0.0	103.7
Euro	(€)	1.0633	-0.0016	631 - 635	1.0696	1.0629	1.0652	-2.1	1.0696	-2.4	1.0902	-2.5	-
SDR†	-	0.73890	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.6980	-0.0090	970 - 990	1.7050	1.6970	-	-	-	-	-	-	-
Canada	(C$)	1.4768	-0.0027	761 - 771	1.4804	1.4750	1.4765	0.0	1.4759	0.2	1.4708	0.4	79.7
Mexico	(New Peso)	9.2930	-0.0380	880 - 980	9.2980	9.2880	9.418	-16.1	9.688	-17.0	10.993	-18.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.7
Pacific/Middle East/Africa													
Australia	(A$)	1.5303	-0.0092	298 - 309	1.5399	1.5239	1.5299	0.3	1.5294	0.2	1.5288	0.1	84.4
Hong Kong	(HK$)	7.7506	+0.0006	503 - 508	7.7513	7.7500	7.751	-0.1	7.7556	-0.3	7.8326	-1.1	-
India	(Rs)	42.8150	-	100 - 200	42.8270	42.7950	42.985	-4.8	43.4213	-5.7	45.7375	-6.8	-
Indonesia	(Rupiah)	8515.00	-60.0000	000 - 000	8595.00	8490.00	8665	-21.1	8990	-22.3	10185	-19.4	-
Israel	(Shk)	4.1353	+0.0158	258 - 448	4.1448	4.1120	-	-	-	-	-	-	-
Japan	(Y)	119.155	-1.0200	120 - 190	120.260	118.330	118.655	5.0	117.7	4.9	113.25	5.0	131.7
Malaysia‡	(M$)	3.8000	-	500 - 500	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8175	-0.0070	162 - 188	1.8222	1.8132	1.8157	1.2	1.8139	0.8	1.8144	0.2	-
Philippines	(Peso)	38.0000	-0.0500	500 - 500	38.1500	37.8500	38.171	-5.4	38.5455	-5.7	40.035	-5.4	-
Saudi Arabia	(SR)	3.7505	+0.0003	500 - 510	3.7510	3.7500	3.7524	-0.6	3.7615	-1.2	3.7955	-1.2	-
Singapore	(S$)	1.6978	-0.0027	973 - 983	1.7022	1.6933	1.6929	3.5	1.6829	3.5	1.6473	3.0	-
South Africa	(R)	6.0475	-0.0223	375 - 575	6.0750	6.0375	6.089	-8.2	6.1785	-8.7	6.5188	-7.8	-
South Korea	(Won)	1179.75	-3.2500	950 - 000	1184.50	1177.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6850	+0.0010	810 - 890	32.6890	32.6700	32.675	0.4	32.68	0.1	32.84	-0.5	-
Thailand	(Bt)	37.4050	-0.2300	700 - 400	37.7200	37.4000	37.395	0.3	37.45	-0.5	37.81	-1.1	-

† SDR rate per $ for Apr 27. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 4.75 MYR/USD, a discount of 20% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Apr 27: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.43	16.26	4.848	1.952	4800	5.463	20.55	497.0	412.5	22.11	3.987	1.632	3.892	2.636	314.1	2.479
Denmark	(DKr)	54.27	10	8.824	2.631	1.059	2605	2.965	11.15	269.7	223.8	12.00	2.163	0.886	2.112	1.430	170.4	1.345
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.64	305.6	253.7	13.60	2.452	1.004	2.394	1.621	193.1	1.525
Germany*	(DM)	20.63	3.801	3.354	1	0.403	990.0	1.127	4.239	102.5	85.07	4.560	0.822	0.337	0.803	0.544	64.78	0.511
Ireland*	(I£)	51.22	9.439	8.329	2.483	1	2459	2.798	10.53	254.6	211.3	11.32	2.042	0.836	1.994	1.350	160.9	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.428	10.35	8.593	0.461	0.083	0.034	0.081	0.055	6.543	0.052
Netherlands*	(Fl)	18.31	3.373	2.977	0.887	0.357	878.6	1	3.763	90.97	75.50	4.047	0.730	0.299	0.712	0.483	57.49	0.454
Norway	(NKr)	48.66	8.968	7.912	2.359	0.950	2336	2.658	10	241.8	200.7	10.76	1.940	0.794	1.894	1.283	152.8	1.206
Portugal*	(Es)	20.12	3.708	3.272	0.975	0.393	965.8	1.099	4.135	100	82.99	4.449	0.802	0.328	0.783	0.530	63.20	0.499
Spain*	(Pta)	24.24	4.468	3.942	1.175	0.473	1164	1.324	4.983	120.5	100	5.360	0.967	0.396	0.944	0.639	76.15	0.601
Sweden	(SKr)	45.23	8.335	7.355	2.193	0.883	2171	2.471	9.295	224.8	186.6	10	1.803	0.738	1.760	1.192	142.1	1.121
Switzerland	(SFr)	25.08	4.622	4.079	1.216	0.490	1204	1.370	5.155	124.7	103.5	5.546	1	0.409	0.976	0.661	78.79	0.622
UK	(£)	61.27	11.29	9.963	2.971	1.196	2941	3.347	12.59	304.5	252.7	13.55	2.443	1	2.384	1.615	192.4	1.519
Canada	(C$)	25.69	4.735	4.178	1.246	0.502	1233	1.404	5.281	127.7	106.0	5.681	1.024	0.419	1	0.677	80.70	0.637
USA	($)	37.94	6.991	6.169	1.839	0.741	1821	2.073	7.797	188.5	156.5	8.389	1.512	0.619	1.477	1	119.2	0.940
Japan	(Y)	31.84	5.867	5.177	1.544	0.622	1528	1.739	6.544	158.2	131.3	7.040	1.269	0.520	1.239	0.839	100	0.789
Euro	(€)	40.34	7.434	6.560	1.956	0.788	1936	2.204	8.291	200.5	166.4	8.919	1.608	0.658	1.570	1.063	126.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5457	0.5470	-	0.5478	0.5457	13,671	33,152
Sep	0.5500	0.5502	-	0.5502	0.5502	32	1,283
Dec	0.5545	0.5545	+0.0009	0.5545	0.5545	2	155

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6667	0.6664	-0.0001	0.6677	0.6661	11,479	72,458
Sep	0.6730	0.6733	+0.0001	0.6733	0.6733	26	323
Dec	0.6815	0.6815	+0.0017	0.6815	0.6815	-	14

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8375	0.8462	+0.0103	0.8469	0.8444	23,669	60,797
Sep	0.8545	0.8565	+0.0100	0.8569	0.8545	6	2,124
Dec	-	-	-	-	-	46	1,578

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6174	1.6168	-0.0016	1.6188	1.6089	10,369	60,411
Sep	1.6210	1.6180	+0.0004	1.6200	1.6090	7	1,257
Dec	-	1.6045	-0.0130	-	-	-	30

UK INTEREST RATES

LONDON MONEY RATES

Apr 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 4¾	5¾ - 5⅛	5⅛ - 5	5⅛ - 5	5⅛ - 5⅛	5⅛ - 5⅛
Sterling CDs	-	-	5⅛ - 5⅛	5⅛ - 5⅛	-	-
Treasury Bills	-	-	5⅛ - 5⅛	5 - 4⅞	-	-
Bank Bills	-	-	5⅛ - 5⅛	5⅛ - 5⅛	-	-
Local authority deps.	5¼ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5	5⅛ - 5⅛
Discount Market deps	5¼ - 5⅛	5¼ - 5	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from Apr 8, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	5.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Apr 23, 4.8205pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1999. Agreed rate for period Apr 26, 1999 to May 25, 1999, Scheme II & III: 6.85pc. Reference rate for period Feb 27, 1999 to Mar 31, 1999, Scheme IV & V 5.419pc. Finance House Base Rate 5.5pc for Apr 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.800	94.810	-	94.820	94.790	8984	185368
Sep	94.830	94.830	-0.020	94.820	94.820	22481	200149
Dec	94.580	94.600	-	94.630	94.570	19055	149385
Mar	94.610	94.600	-0.020	94.640	94.580	17673	144423
Jun	94.510	94.490	-0.020	94.530	94.470	14270	118368

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
94750	0.110	0.200	0.205	0.050	0.120	0.355
94875	0.050	-	-	0.115	-	-
95000	0.020	0.085	0.115	0.210	0.255	0.515
95125	0.005	-	-	0.325	-	-
95250	0.005	0.030	0.060	0.445	0.450	0.710
95375	0	-	-	0.565	-	-

Est. vol. total, Calls 3270 Puts 1235. Previous day's open int., Calls 485365 Puts 398095

EMS EUROPEAN CURRENCY UNIT RATES

Apr 28	Euro cen. rates	Rate against Euro	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	326.65	+0.95	-7.49	7.71	50
Denmark	7.46038	7.4336	-0.001	-0.36	0.22	2

NON ERM MEMBERS

UK	0.653644	0.65830	-0.0004	0.71	-	-1.06

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.590	2.12	2.53	3.11	0.28	0.85	1.37
1.600	1.41	1.95	2.32	0.57	1.18	1.77
1.610	0.85	1.47	2.05	1.01	1.60	2.26

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 676 Puts 916

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.540	0.76	1.05	1.36	0.21	0.41	0.56
0.545	0.46	0.78	1.07	0.37	0.58	0.78
0.550	0.25	0.55	0.81	0.64	0.87	1.04

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 156 Puts 336

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.00	94.99	-0.01	-	-	19,099	453,946
Sep	94.89	94.87	-0.02	-	-	61,361	531,710
Dec	94.62	-	-	-	-	77,786	369,836

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.59	95.59	-0.02	-	-	870	1,594

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Exeter Trust Limited	6.25	Smith & Williamson	5.25
Allied Irish Bank (GB)	5.25	●Robert Fleming & Co	5.25	Sun Bank	5.25
●Henry Ansbacher	5.25	Habib Bank AG Zurich	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	Heritable & Gen Inv Bk	5.25	United Bank of Kuwait	5.25
Bank of Cyprus	5.25	C. Hoare & Co	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●SG Hambros Bank & Trust	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Hongkong & Shanghai	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	Investec Bank (UK) Ltd	5.25		
Barclays Bank	5.25	Julian Hodge Bank	5.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.25		
●Brown Shipley & Co Ltd	5.25	Lloyds Bank	5.25		
Citibank NA	5.25	Midland Bank	5.25		
Clydesdale Bank	5.25	NatWestminster	5.25		
The Co-operative Bank	5.25	●Rea Brothers	5.25		
Coutts & Co	5.25	Royal Bk of Scotland	5.25		
Cyprus Popular Bank	5.25	Scottish Widows Bank	5.50		
Duncan Lawrie	5.25	●Singer & Friedlander	5.25		

WORLD INTEREST RATES

MONEY RATES

Apr 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	2½	2⅝	2⅝	2⅝	2⅝	-	2.50	2.50
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	4⅞	4⅞	4⅞	5	5⅛	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-

■ $ LIBOR BBA London					
Interbank Fixing	-	4⅞	5	5⅛	5¼
US Dollar CDs	-	4.75	4.78	4.81	4.96
Euro Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]
BBA Euro Libor	-	[illegible]	[illegible]	[illegible]	[illegible]
Euro Euribor	-	2.571	2.588	2.607	2.678
EONIA	2.52				
EURONIA	2.5167				

London interbank fixing rates are offered rates for $1m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo-Mitsubishi, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Apr 28	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EUROBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.405	97.400	-0.005	97.405	97.395	2,627	38,318
Sep	97.415	97.405	-0.015	97.415	97.405	1,648	32,127

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.410	97.400	-0.005	97.410	97.395	25182	205382
Sep	97.410	97.405	-0.015	97.415	97.400	22208	212281
Dec	97.225	97.210	-0.020	97.225	97.205	11475	134412
Mar	97.295	97.280	-0.015	97.295	97.270	16487	119362

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.400	97.400	-0.005	97.400	97.400	11	10455
Sep	97.400	97.405	-0.015	97.400	97.400	10	9178
Dec	-	97.210	-0.020	-	-	-	8210
Mar	97.270	97.280	-0.015	97.270	97.270	9	8219

■ EURIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Jun	PUTS Sep	PUTS Dec	PUTS Mar
97375	0.040	-	-	-	0.015	-	-	-
97500	0.005	0.045	0.045	0.080	0.105	0.140	0.335	0.300
97625	0	-	-	-	0.225	-	-	-
97750	0	0.010	0.015	0.030	0.350	0.355	0.556	0.500

Est. vol. total, Calls 11057 Puts 3450. Previous day's open int., Calls 372654 Puts 173624

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Jun	PUTS Sep	PUTS Dec	PUTS Mar
97375	0.040	-	-	-	0.015	-	-	-
97500	0.005	0.045	0.045	0.080	0.105	0.140	0.335	0.300
97625	0	-	-	-	0.225	-	-	-
97750	0	0.010	0.015	0.030	0.350	0.355	0.555	0.500

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 157192 Puts 96870

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.930	98.970	+0.020	98.960	98.920	10855	95522
Sep	98.840	98.880	+0.020	98.880	98.830	3187	65106
Dec	98.550	98.580	+0.020	98.590	98.520	1971	28658
Mar	98.540	98.560	+0.020	98.570	98.540	1089	19934

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.85	+0.01	-	-	0	n/a
Sep	-	99.80	-	-	-	0	n/a
Dec	-	99.68	-0.02	-	-	0	n/a

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100 - rate

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
99000	0.070	0.110	0.065	0.100	0.230	0.485
99125	0.030	-	-	0.185	-	-

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6620 Puts 5623

COMMODITIES & AGRICULTURE

Raw sugar futures plunge to lowest in 13 years

MARKETS REPORT

By Paul Solman and Robert Corzine

Sugar futures plunged to fresh lows yesterday, with the highest-volume raw contract sinking close to 4 cents a pound.

Raw sugar, traded on New York's Coffee, Sugar and Cocoa Exchange, has lost more than half its value since the beginning of the year and stands at its lowest for 13 years. In afternoon trading yesterday, the July contract was 4.04 cents a pound.

The London International Financial Futures and Options Exchange's August white sugar contract fared little better, standing at $161 a tonne in late trading, just 20 cents above Tuesday's record low.

Analysts say the outlook remains *strongly bearish*, with leading producers increasing exports in a market that is already heavily oversupplied. Brazil's currency devaluation has also encouraged sugar output.

Cocoa prices were slightly stronger than of late. The July contract, Liffe's most actively traded, rose to £709 a tonne at *one stage* before losing ground. It closed £5 higher at £700 a tonne, ending *two weeks of decline*.

Robusta coffee also recovered most of Tuesday's losses, the July contract ending up $14 at $1,428 a tonne.

Oil prices rose yesterday after fresh evidence of a decline in surplus crude stocks in the US, the world's biggest petroleum market.

The June Brent futures contract on London's International Petroleum Exchange reached a 15-month high of $16.32 a barrel at one stage, before falling back to $16.25 a barrel in late trading, up 45 cents on Tuesday's close.

US stocks of crude oil are reported to have fallen by between 3.5m and 4m barrels over the past week, according to the most widely followed industry and government estimates.

Base metals added to the gains of recent days. The London Metal Exchange's flagship three-month copper contract closed at $1,561 a tonne, a rise of $8 on the day, while nickel rose $115 to $5,440 a tonne.

Martin Squires, analyst at Rudolf Woolf, said there were definite signs of optimism in the base metals markets.

However, he warned: "There's still a lot of uncertainty. We could see some more strength in the coming weeks, but we will *remain* suspicious of the upside until consumer interest returns."

Meanwhile, the LME *yesterday began* consulting warehouse companies about its new draft warehouse contract. The exchange plans to revise the contract in order to better reflect the business environment.

Besieged Emperor fights for independence

The Australian gold mining group has been embroiled in an acrimonious corporate struggle, says **Russell Baker**

Fiji's Vatukoula gold mine has been producing gold from the Tavua Basin for more than 65 years. While most mines are in their final days the underground operation, which is a big contributor to Fiji's economy and its largest private sector employer, still has at least another 20 years of life.

Vatukoula (which means "rock of gold") is the key asset of Emperor Mines, an Australian-listed company that has been embroiled in an acrimonious, complicated and at times perplexing *corporate struggle. Since late* last year Durban Roodepoort Deep, the South African gold miner controlled by Roger and Brett Kebble, has tried everything it can think of to *snare control of Emperor.*

Emperor still eludes it but DRD has bought 13 per cent of another Australian-listed gold miner, Hargraves Resources, and hopes to gain *control of the company's* board. Co-incidentally, Emperor owns about 5 per cent of Hargraves.

DRD, which is listed in Johannesburg and London, *tried to take advantage of* Emperor's switching its domicile to the Isle of Man in 1986. The change meant Emperor was no longer protected by Australia's takeover laws but it altered its articles of association to include shareholder restrictions based on those laws.

DRD called a meeting of Emperor shareholders to remove the restrictions and allow it to buy a controlling block of shares before making a bid for the minorities. *But DRD, which had bought* a 17.4 per cent holding – largely from Emperor's then chairman Tan Sri Azmi Wan Hamzah, the Malaysian businessman – did not win sufficient support at the meeting.

DRD *had been confident* that if it was able to change the articles, Emperor's 18 per cent shareholder Indochina Goldfields, a Toronto-listed resources group run *by Canadian entrepreneur* Robert Friedland, would have sold its stake to DRD.

However, it is understood that Mr Friedland, who discovered the huge Voisey's *Bay nickel deposit, will not* sell the stake unless Indochina receives an attractive price. Emperor's response to DRD's move was to call another shareholders' meeting seeking to change its domicile back to Australia but this time Emperor did not have the numbers.

DRD, which will also soon be listed in Australia, has since requested yet another meeting to seek board control of Emperor but the besieged board refuses to hold the meeting. Emperor claims the request is invalid but won't say why. DRD also unveiled a one-for-five share swap offer for Emperor valuing it at A$64m (US$41.6m) but after having problems lodging formal takeover documents it decided last month to withdraw its bid.

Vatukoula, which has produced 6m ounces of gold to date, is producing 120,000 *ounces a year* but the board aims quickly to lift that to 200,000 ounces.

In the longer term Emperor plans to lift production to as much as 400,000 *ounces but that involves* developing the Vatukoula Deeps deposit below the current underground mine.

Emperor also has a new gold discovery at Tuvata – just 20km away from Fiji's international airport at Nadi. Gordon Toll, chairman, believes Tuvatu "has all the potential and promise to be the next Vatukoula".

There is now talk that JCI Gold, another South African group and a member of the Kebble group of companies, is set to help DRD fund a cash offer for Emperor by taking up a placement of DRD shares.

There is also speculation of more restructuring within the Kebble stable that could see a merger between JCI Gold, Consolidated African Mines, Western Areas – and perhaps London-listed Randgold Resources.

What implications such a merger would have for the ownership of DRD – and its designs on Emperor – are unclear.

DRD has received plenty of bad press in Australia that has focused on the Kebble family's complex and usually incestuous corporate shuffling in South Africa as well as Australia.

The Kebbles control several struggling Australia-listed mining groups, such as Continental Goldfields, Masmindo Mining, Platgold Pacific and Laverton Gold, that over the past 18 months have made various merger and asset swap proposals – most of which have failed.

Since late last year Durban Roodepoort Deep, the South African gold miner controlled by Roger and Brett Kebble, has tried everything it can think of to snare control of Emperor

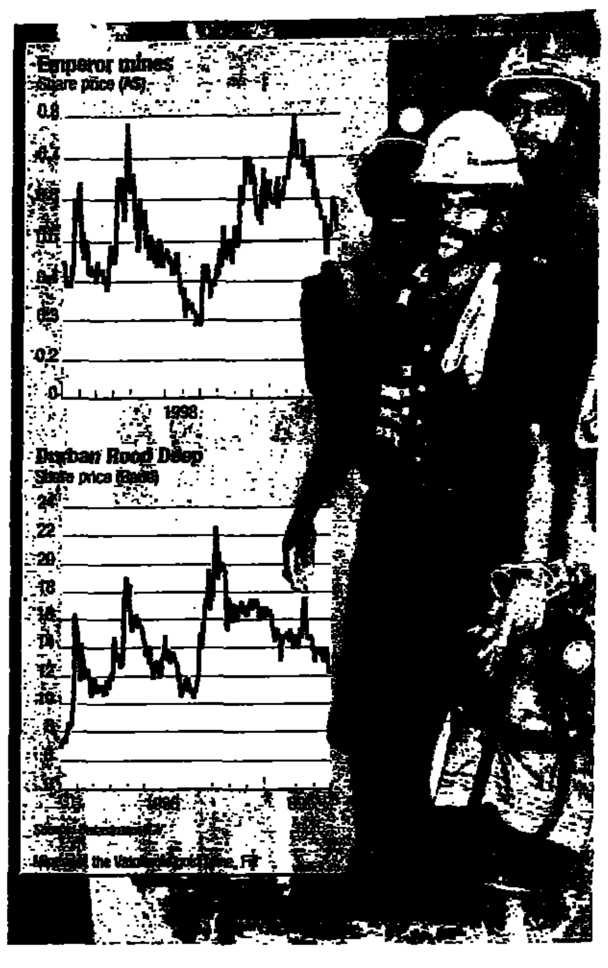
DRD's move on Hargraves, which owns an underground mine in New South Wales, may also prove controversial as it is seeking control without making a full bid. Hargraves is completing a share and cash offer that will give it majority ownership of Diversified Mineral Resources, another Australia-listed company that owns the Agbaou gold project in Cote d'Ivoire.

DRD has also acquired 14.9 per cent of DMR, which will enable it to lift its Hargraves stake to just under 20 per cent by accepting the Hargraves offer for DMR. DRD bought its 13 per cent Hargraves stake from Straits Resources, an Australian-listed coal and copper group, on condition that Straits nominees on the Hargraves board retire.

It will also be seeking to have Mike Prinsloo, its own chief executive, and chief financial officer Charles Mostert appointed to the Hargraves board.

The situation has a further dimension in that Cambridge Consolidated, an Australian diamond explorer, recently acquired about 19 per cent of Hargraves. It has been suggested Cambridge and DRD are not unfriendly. Last month Cambridge announced a deal with a British Virgin Islands company Lavender Overseas, that will see Cambridge accept JCI Gold shares in consideration for the sale of a 51 per cent stake in its diamond interests.

The Emperor and Hargraves plays are part of a broader strategy for DRD, whose South African mines produce about 630,000 ounces of gold a year. DRD is chasing deals in Australia and the Pacific region that would have the potential to give it another 500,000 ounces of annual production. Mr Prinsloo says DRD hopes to achieve its goals "in a short period of time".



Matif plans new oilseed derivatives

By Paul Solman

Matif, the Paris futures exchange, is planning a series of new oilseed derivatives following the success of its European rapeseed futures.

The exchange intends to launch a rapeseed options contract by the end of May, followed later this year by futures for sunflower seeds, rapeseed meal and rapeseed oil.

"We have been satisfied with the development of the rapeseed futures contract, and market users have been asking us for an options contract to increase flexibility in the market," Nicolas Rialland, Matif's commodity products manager, said yesterday.

The European rapeseed futures, launched five years ago, are attracting average daily volumes of between 500 and 600 contracts, Mr Rialland said. Their popularity has risen in spite of a bumper global oilseed crop, which has depressed prices.

Matif's rapeseed futures, which are denominated in euros, accumulated volume of 26,145 contracts in the first two months of 1999 compared with 13,113 contracts during the same period last year, according to the Futures Industry Association.

"Rapeseed contract volumes were 38 per cent higher last year than in 1997," Mr Rialland said.

The decision to launch futures for sunflower seeds, rapeseed meal and rapeseed oil was made after Matif carried out a detailed study of European oilseed products last year. It is still discussing the specifications of the contracts, but Mr Rialland said the exchange hoped to start trading during the second half of this year.

"There is a clear interest in the cash market for these products," he added.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1311-12	1336-36.5
Previous	1301-3	1325-7
High/low		1340/1333
AM Official	1309-9.5	1333-3.5
Kerb close		1336.5-37
Open int.	307,072	
Total daily turnover	37,956	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1190-95	1210-15
Previous	1183-8	1203-5
High/low		1215/1205
AM Official	1183-5	1203-6
Kerb close		1208-10
Open int.	9,212	
Total daily turnover	903	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	535-6	542-2.5
Previous	532.5-3.5	540-1
High/low		543.5/540
AM Official	533.5-4.0	539.5-40.0
Kerb close		539-40
Open int.	40,916	
Total daily turnover	7,807	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5355-65	5435-40
Previous	5240-50	5320-25
High/low		5510/5345
AM Official	5335-40	5415-20
Kerb close		5455-60
Open int.	70,795	
Total daily turnover	18,367	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5425-35	5460-70
Previous	5425-35	5460-65
High/low		5490/5460
AM Official	5420-25	5460-65
Kerb close		5500-10
Open int.	20,894	
Total daily turnover	7,635	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1074-75	1093.5-94
Previous	1067-8	1085.5-6.0
High/low		1100/1088
AM Official	1089-9.5	1088.5-9.0
Kerb close		1088-89
Open int.	97,576	
Total daily turnover	27,085	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1529-30	1560-61
Previous	1521.5-2.5	1552-3
High/low		1568/1551
AM Official	1523-4	1554-5
Kerb close		1555-56
Open int.	187,344	
Total daily turnover	34,367	

■ LME AM Official £/$ rate: 1.6193

LME Closing £/$ rate: 1.6150

Spot: 1.6149 3 mths: 1.6138 6 mths: 1.6136 9 mths: 1.6140

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	69.70	+0.20	70.35	69.40	147	249
May	69.90	+0.30	70.65	69.40	6,481	12,280
Jun	70.40	+0.30	71.00	70.00	203	2,389
Jul	70.80	+0.35	71.65	70.25	10,157	37,750
Aug	71.30	+0.35	71.75	71.05	84	1,635
Sep	71.70	+0.35	72.20	71.10	798	8,077
Total					18,148	75,024

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	281.80-282.30		
Opening			
Morning fix	282.80	174.73	[illegible]
Afternoon fix	283.00	174.66	[illegible]
Day's High			
Day's Low			
Previous close	281.70-282.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.30	6 months	4.25
2 months	4.30	12 months	3.95
3 months	4.30		

Silver Fix	p/troy oz.	US cts equiv.
Spot	321.95	526.50

Silver Lending Rates

1 month	2.75	6 months	1.75
2 months	2.45	12 months	0.75
3 months	2.15		

Gold Coins	$ price	£ equiv.
Krugerrand	285-289	176-179
New Sovereign	67-71	41-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Apr	282.9	+0.6	283.5	282.9	127	71
May	282.9	+0.6			52	37
Jun	284.1	+0.6	284.9	283.2	20,641	132.2k
Aug	286.0	+0.6	286.9	285.5	242	10,713
Oct	288.0	+0.6	388.7	288.2	42	4,294
Dec	289.9	+0.8	290.9	289.5	824	16,348
Total					22,692	204,378

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Apr	356.5	–	–	–	8	–
Jul	353.5	–3.0	356.5	352.5	1,317	9,762
Oct	354.0	–3.0	355.5	355.5	77	1,627
Jan	354.7	–3.0	–	–	6	140
Total					1,395	11,849

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Jun	335.50	–15.50	347.00	334.00	299	2,506
Sep	334.00	–14.00	336.00	332.00	6	299
Dec	327.00	–14.00	–	–	–	126
Mar	324.00	–14.00	–	–	–	15
Total					301	2,946

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Apr	525.9	+7.0	–	–	20	20
May	525.3	+7.0	529.0	516.5	14,079	18,008
Jul	526.6	+7.0	529.5	517.5	11,019	37,277
Sep	528.4	+6.9	530.5	525.0	77	6,478
Dec	530.0	+6.8	533.0	524.0	665	10,995
Jan	529.4	+6.8	–	–	–	16
Total					26,130	82,409

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.33	+0.52	18.44	17.94	54,960	170.6k
Jul	18.05	+0.50	18.10	17.64	21,608	89,291
Aug	17.78	+0.46	17.78	17.43	11,950	49,224
Sep	17.46	+0.39	17.55	17.22	3,469	24,105
Oct	17.24	+0.37	17.24	17.09	1,199	24,355
Nov	17.03	+0.35	17.03	16.86	385	24,881
Total					102,492	600,151

■ CRUDE OIL IPE ($/barrel)

	Open price	Day's change	High	Low	Vol	Open int
Jun	16.25	+0.45	16.32	15.90	23,876	102.3k
Jul	16.01	+0.39	16.07	15.74	14,080	58,711
Aug	15.83	+0.34	15.90	15.58	4,029	26,094
Sep	15.68	+0.32	15.73	15.45	3,305	15,858
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
May	43.60	+0.75	44.10	43.25	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	131.75	+3.00	132.50	130.25	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	53.70	+1.10	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	77.50	+1.00	77.50	77.00	56	1,100
Jul	78.50	+0.80	78.75	78.50	121	2,952
Sep	75.15	–0.10	–	–	–	168
Nov	77.15	–0.10	78.00	77.00	119	3,406
Jan	78.75	–0.25	–	–	–	678
Mar	80.50	–	–	–	–	124
Total					296	8,467

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	252.75	+3.25	253.00	247.50	7,618	15,228
Jul	263.50	+3.50	264.00	258.50	19,642	68,595
Sep	273.75	+3.50	274.00	268.50	1,294	7,710
Dec	288.50	+4.25	289.00	281.00	3,207	20,077
Mar	297.50	+3.50	298.00	291.50	75	4,319
May	301.00	–	301.00	300.00	1	21
Total					31,838	116,581

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	214.75	–0.50	217.50	213.50	28,119	49,203
Jul	219.50	–0.25	222.25	217.50	30,728	136,864
Sep	225.25	+0.25	227.25	224.00	2,588	31,164
Dec	233.00	+0.75	234.75	231.00	14,910	98,311
Mar	242.50	+1.00	243.75	240.75	593	15,433
May	246.50	+0.50	248.00	245.50	6	1,632
Total					77,041	338,989

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.50	+1.00	75.00	75.00	10	50
Sep	73.50	–	–	–	–	45
Nov	75.25	–	–	–	–	517
Jan	77.25	–	–	–	–	20
Mar	79.25	–	–	–	–	–
Total					10	632

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	479.50	+1.50	480.50	474.25	13,137	27,284
Jul	489.75	+2.00	490.50	484.00	23,196	64,130
Aug	492.25	+1.75	493.75	487.75	1,328	17,684
Sep	495.25	+1.75	496.00	490.00	502	9,144
Nov	503.00	+1.50	504.00	498.00	5,890	43,311
Jan	513.50	+1.00	514.00	508.50	406	2,940
Total					44,588	167,642

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	19.36	–0.15	19.65	19.09	9,924	14,405
Jul	19.64	–0.24	20.03	19.40	12,654	52,718
Aug	19.75	–0.28	20.10	19.55	673	10,132
Sep	19.89	–0.27	20.25	19.67	237	8,129
Oct	19.98	–0.30	20.35	19.90	126	6,302
Dec	20.25	–0.27	20.55	20.03	1,311	26,259
Total					25,310	133,749

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	130.7	+1.8	130.7	128.8	[illegible]	[illegible]
Jul	132.6	+1.7	132.7	131.0	[illegible]	[illegible]
Aug	133.7	+1.5	133.8	132.5	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	170.0	–	–	–	–	[illegible]
Nov	170.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1020	+20	1020	1015	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	1045	+35	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	1,029	995

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	675	+8	681	670	2,852	13,554
Jul	700	+5	709	698	3,264	25,221
Sep	721	+5	730	720	1,280	33,910
Dec	748	+4	757	747	454	28,945
Mar	771	+3	778	771	227	19,705
May	795	+3	803	796	1,082	17,423
Total					10,175	172,321

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	957	+9	970	950	321	479
Jul	995	–3	1013	985	6,715	32,569
Sep	1026	–3	1041	1017	672	12,058
Dec	1067	–5	1083	1059	358	7,341
Mar	1110	–5	1122	1112	87	8,707
May	1137	–5	1150	1134	101	4,321
Total					8,261	68,886

■ COCOA (ICCO) (SDR's/tonne)

Apr 28	Price	Prev. day
Daily	804.39	824.74

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1419	–2	1425	1415	4,646	16,464
Jul	1429	+15	1430	1412	4,819	27,135
Sep	1441	+16	1443	1430	762	9,897
Nov	1454	+14	1455	1442	215	3,243
Jan	1458	+14	–	–	–	1,115
Mar	1462	+14	–	–	–	202
Total					10,442	58,063

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	100.40	+0.20	102.00	98.75	313	2,514
Jul	100.70	–0.05	102.50	98.75	4,124	25,831
Sep	102.50	+0.05	103.90	100.90	674	9,169
Dec	105.00	+0.25	105.80	103.50	316	4,726
Mar	106.50	–	107.50	106.25	47	2,212
May	108.50	+0.20	–	–	11	429
Total					5,486	45,344

■ COFFEE (ICO) (US cents/pound)

Apr 28	Price	Prev. day
Comp. daily	83.87	83.88
15 day average	84.96	85.34

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	163.3	+2.5	163.4	158.5	1,732	26,728
Oct	165.6	+1.3	165.2	161.5	507	11,760
Dec	167.9	+0.8	167.5	165.0	176	5,792
Mar	175.5	+0.6	174.8	171.5	225	3,313
May	180.3	+1.5	–	–	–	1,568
Aug	184.4	+3.4	–	–	–	179
Total					2,640	49,340

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	4.56	–0.14	4.70	4.53	[illegible]	13,409
Jul	4.08	–0.09	4.21	3.93	[illegible]	97,886
Oct	4.50	–0.08	4.64	4.46	[illegible]	49,685
Mar	5.16	–0.11	5.19	5.08	[illegible]	25,042
May	5.28	–0.07	5.29	5.26	[illegible]	4,130
Jul	5.41	–0.07	5.47	5.40	[illegible]	2,617
Total					[illegible]	195,077

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	60.00	+1.42	60.00	58.25	[illegible]	672
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31,204
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,269
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18,733
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,596
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,420
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	83.45	+0.15	84.30	82.90	[illegible]	9,533
Jul	83.20	–0.10	83.95	82.00	[illegible]	11,514
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,857
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,451
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,565
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	432
Total					[illegible]	31,404

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 28	Apr 27	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967 = 100)

Apr 27	Apr 26	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

■ GSCI Spot (Base: 1970 = 100)

Apr 27	Apr 26	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

LME WAREHOUSE STOCKS (tonnes)

Aluminium	[illegible]	to	786,275
Aluminium alloy	[illegible]	to	54,080
Copper	[illegible]	to	744,800
Lead	[illegible]	to	105,000
Nickel	[illegible]	to	60,842
Zinc	[illegible]	to	319,000
Tin	[illegible]	to	10,040

Nuts and seeds Prices from Kenkko London $ per m/t. Iranian pistachios firmed up as largest supplier RPPC withdrawn from the market. Second hand prices for 28/30 variety at $2,800 FOT Europe. Turkish hazelnuts 13/15, crop 1998 at $4,300 CFR MEP. Indian cashews market easier than last week due to arrival of raw material. Market price around $7,000 CFR MEP. US almonds standard 5%, difficult to obtain a price. Indication at $2,800 FOT Hamburg. Pumpkin seeds Russian/Ukranian snow white at $2,700 CFR MEP, quantity limited. Chinese snow white grade A seeds up slightly to $1,550 CFR MEP, grade AA at $2,000.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Apr	66.875	+0.075	67.000	66.600	1,689	3,566
Jun	63.575	–0.100	63.900	63.275	5,235	50,742
Aug	61.975	–	62.150	61.875	1,496	21,016
Oct	64.325	–0.025	64.425	64.250	1,155	14,246
Dec	65.875	+0.025	65.950	65.850	251	6,275
Feb	67.375	–	67.400	67.300	98	2,825
Total					9,957	99,804

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Jun	59.050	+1.325	59.100	57.775	4,464	19,628
Jul	59.950	+1.225	60.000	58.750	1,557	7,903
Aug	59.775	+0.975	59.950	58.800	893	7,678
Oct	55.875	+0.325	55.900	55.375	438	8,699
Dec	55.150	+0.150	55.300	54.950	151	4,764
Feb	57.900	+0.100	58.000	57.650	17	783
Total					7,523	49,898

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
May	58.625	+2.875	58.650	56.175	942	1,889
Jul	59.550	+2.700	59.700	56.950	1,095	2,613
Aug	58.375	+3.000	58.375	56.500	61	576
Feb	68.975	+0.475	68.975	68.000	1	40
Total					2,099	5,120

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1250	80	109	6	20
1300	44	76	19	37
1350	19	50	45	60
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
1550	45	98	51	78
1600	26	75	81	104
1650	14	57	119	134
■ COFFEE LIFFE	May	Jul	May	Jul
1400	77	134	48	93
1450	52	111	73	120
1500	35	92	106	151
■ COCOA LIFFE	Jul	Sep	Jul	Sep
675	-	67	-	21
700	31	52	31	31
725	21	40	46	44
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1550	-	-	-	-
1600	-	-	-	-
1650	28	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$15.81-5.88	+0.49
Brent Blend (dated)	$16.34-6.38	+0.57
Brent Blend (Jun)	$16.26-6.30	+0.49
W.T.I.	$18.27-8.32x	+0.52

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Unleaded Gasoline ‡	$172-174	+5
Gas Oil	$132-133	+4
Heavy Fuel Oil	$73-75	+1
Naphtha	$147-149	+6.5
Jet fuel	$159-161	-1
Diesel	$143-144	+3.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	9.30-9.35	+0.06

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$281.85	
Silver (per troy oz)♣	509.75	
Platinum (per troy oz.)	$353.00	+1.00
Palladium (per troy oz.)	$338.50	-17.50
Copper	75.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.41r	+0.06
Tin (New York)	257.5	
Cattle (live weight)	91.35p	-0.70*
Sheep (live weight)	107.20p	+5.75*
Pigs (live weight)†	63.92p	-0.03*
Lon. day sugar (raw)	$133.70	
Lon. day sugar (wte)	$173.50	-3.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£95.00	
Wheat (US Dark North)	£120.50	
Rubber (May)♥	42.25p	-0.50
Rubber (Jun)♥	42.75p	-0.50
Rubber (KL RSS No1)	223.00m	-3.50
Coconut Oil (Phil)§	880.0	+5.00
Palm Oil (Malay.)§	490.0y	+10.0
Copra (Phil)§	515.0z	
Soyabeans (US)	136.0y	
Cotton Outlook'A' index	58.45	
Wooltops (64s Super)	308p	

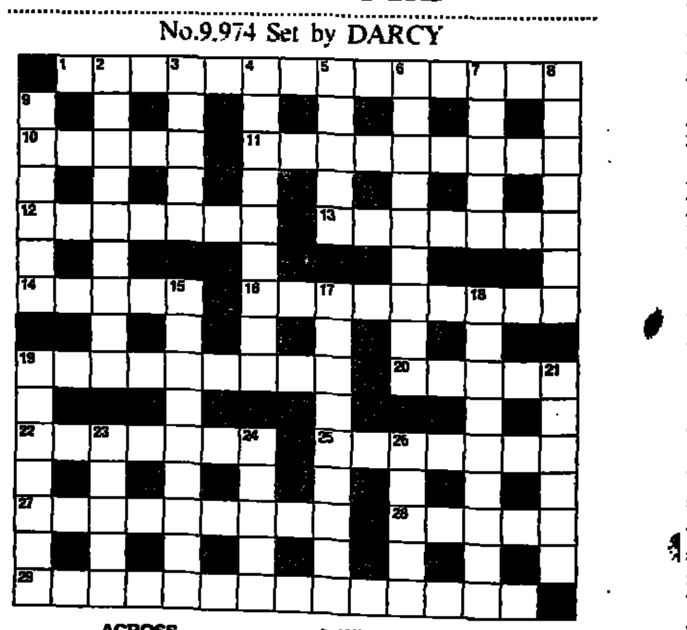
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Mar. x Jun. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on. ‡ Unleaded Gasoline replaced Premium on March 15th. kw head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

CROSSWORD

No.9,974 Set by DARCY



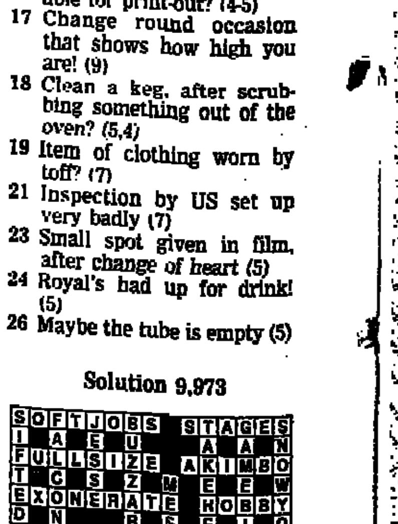
ACROSS

1 Marvellous direction characteristic of many SF movies? (3,2,4,5)
10 Interest rate in Channel Islands – and one in the Med (5)
11 Patriarchy possibly quoted reason to deliver the goods? (4,5)
12 Flood with nonsense about accommodation charge (7)
13 Given specific stars, like Shakespeare? (7)
14 Categorise some students (5)
16 Indian warrior hides in Western – a good idea! (9)
19 One may not build on this judo qualification (5,4)
20 European runner has to stay close behind American (5)
22 Pulling up, after first chance to buy something? (7)
25 Using separate units terribly loud, damage comes about (7)
27 They're big wheels in the plant (9)
28 Yawning, shown silver copy (5)
29 Assume neglect (4,3,7)

DOWN

2 It's initially printed in proper circumstances (5,4)
3 Where winter Olympics figures may be seen is pending (2,3)
4 Turning up, put out board's schedule (9)
5 One point in which I'll appear a fool (6)
6 Where clues appear thin, and wound must be reassessed? (9)
7 Almost get clear at first, in high part of mountain range (5)
8 Madden enraged eccentric (7)
9 Nervous response after expert's kind of acid (6)
15 Lacking projections available for print-out? (4-5)
17 Change round occasion that shows how high you are! (9)
18 Clean a keg, after scrubbing something out of the oven? (5,4)
19 Item of clothing worn by toff? (7)
21 Inspection by US set up very badly (7)
23 Small spot given in film, after change of heart (5)
24 Royal's had up for drink! (5)
26 Maybe the tube is empty (5)

Solution 9,973



هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

CAYMAN ISLANDS (REGULATED)(**)

[illegible]

MFS Meridian Funds - Contd.

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

ABN AMRO Global Liquidity Funds Plc

[illegible]

GT Global - Contd.

[illegible]

Baring International Fund Mgrs - Contd.

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual Intl Fd Mgrs (Isle of Man) Ltd

JERSEY
(FSA RECOGNISED)

AIB Fund Managers (CI) Ltd 01534 883000

AIB Govett (Channel Islands) Limited (1000)F 01534 873220

Barclays International Funds 01534 812700

Gartmore Fund Managers Intl Ltd (z) 01534 889680

Lombard Odier - Contd.

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Fidelity Funds - Contd.

Fleming Group

LUXEMBOURG
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

Lombard Odier Invest (z)

Schroder International Selection Fd - Contd.

Banque Internationale A Luxembourg

LUXEMBOURG
(REGULATED)(**)

ACM Offshore Funds

Indocam Mosaic SICAV

SCI/TECH SA

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Albany International Assurance Ltd - Contd.				
Interest Funds				
SAM European Growth	[illegible]		+0.01	-
SAM Uk Growth	[illegible]			-
Allied Dunbar International Assce Ltd (z)				
43-51 Athol Street Douglas IoM				
Sterling Managed	[illegible]	[illegible]	[illegible]	-
Dollar Managed	[illegible]	[illegible]	[illegible]	-
Worldwide Equity	[illegible]	[illegible]	[illegible]	-
Far East	[illegible]	[illegible]	[illegible]	-
UK Capital Growth	[illegible]	[illegible]	[illegible]	-
Europe	[illegible]	[illegible]	[illegible]	-
Emerging Asia	[illegible]	[illegible]	[illegible]	-
Sterling Bond	[illegible]	[illegible]	[illegible]	-
Dollar Bond	[illegible]	[illegible]	[illegible]	-
Worldwide Bond	[illegible]	[illegible]	[illegible]	-
CMI Insurance Co Ltd				
[illegible]				
CMI Ins Co Ltd/Clerical Med Life				
[illegible]				
Equitable Life (International)				
[illegible]				
Equity Fund Manager				
[illegible]				
Eurolife Assurance Group				
[illegible]				
Fiannco International Ltd				
[illegible]				
Friends Provident International				
[illegible]				
Generali International Limited				
[illegible]				
Hanover Europe Limited				
[illegible]				
Hansard International Ltd.				
[illegible]				
Irish Life International Ltd				
[illegible]				
Isle of Man Assurance Ltd				
[illegible]				
Lakeview Financial Group				
[illegible]				
Manulife International Ltd				
[illegible]				
Old Mutual Guernsey				
[illegible]				
Old Mutual International (Guernsey) Ltd				
[illegible]				
Insider Managed Funds				
[illegible]				
Old Mutual International (Ireland) Ltd				
[illegible]				
Old Mutual International (Isle of Man) Ltd				
[illegible]				
Royal & Sun Alliance Intl Financial Srvs				
[illegible]				
Royal Skandia Life Assurance Ltd				
[illegible]				
Scottish Equitable International SA				
[illegible]				
Scottish Mutual International plc				
[illegible]				
Scottish Provident Intl Life Ass Ltd				
[illegible]				
Scottish Widows International				
[illegible]				
Sun Life International (IOM) Ltd				
[illegible]				

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
AEI Global Trading Investments Ltd				
[illegible]				
AIB Investment Managers Hong Kong Ltd				
[illegible]				
AXA Investment Managers Paris				
[illegible]				
Aberdeen Asset Management Asia Limited				
[illegible]				
Ability Fund Limited				
[illegible]				
Access Investment Management (BG) Ltd				
[illegible]				
Acciones y Valores de Mexico SA de CV				
[illegible]				
Acuma Capital Management Limited				
[illegible]				
Advanced Asset Management Ltd				
[illegible]				
Alexandra Global Investment Fund I, Ltd				
[illegible]				
Allianz Investment Holdings N.V.				
[illegible]				
Alliance Capital				
[illegible]				
Allied Dunbar International Fund Mngrs				
[illegible]				
Alpha Fund Management Ltd				
[illegible]				
The American Trust Bank				
[illegible]				
Amerindo Investment Advisors Inc				
[illegible]				
Arawak Capital Advisors LLC				
[illegible]				
Ardent Investment Management Limited				
[illegible]				
Ares Futures Management Limited				
[illegible]				
Argent Fund Management				
[illegible]				
Arisaig Partners (BVI) Ltd				
[illegible]				
Aristocrat Capital Management Ltd				
[illegible]				
Arnhold and S. Bleichroeder, Inc				
[illegible]				
Artemis Pictoris Fund Ltd				
[illegible]				
Asia Debt Management Hong Kong Ltd				
[illegible]				
Asia Pacific Securities Corp Ltd				
[illegible]				
The Atlantica Fund Ltd				
[illegible]				
Atlantico Investment Ltd				
[illegible]				
Atlantic Investment Research, Inc				
[illegible]				
Atlantic Fund Management (Germany) Ltd				
[illegible]				
Aurora Funds				
[illegible]				
BBM Bank				
[illegible]				
BEA Associates				
[illegible]				
Banca Boji, S.A. (Principality of Andorra)				
[illegible]				
Bank Von Ernst & Cie AG				
[illegible]				
Banque Nationale de Paris Plc				
[illegible]				
Baring International Group				
[illegible]				
The Baltimore Fund Ltd				
[illegible]				
Bermuda Capital Company Ltd				
[illegible]				
Bodari & Co				
[illegible]				
Boyer Allan Global Fund Ltd				
[illegible]				
CB Asset Management				
[illegible]				
CDC International				
[illegible]				
CML Fund Management Ltd				
[illegible]				
Campbell & Co				
[illegible]				
Capital Plus Management Ltd				
[illegible]				
Chartered Asset Management PTE Ltd				
[illegible]				
Citibank Global Asset Management (Asia) Ltd				
[illegible]				
Colbert Securities				
[illegible]				
Commercial Union				
[illegible]				
Credit Suisse Asset Mgmt Funds				
[illegible]				
Credit Agricole/INDOCAM				
[illegible]				
Crosby Asset Management (Jersey) Ltd				
[illegible]				
Crystal Corporation N.V.				
[illegible]				
Crystal Fund Managers (Bermuda) Ltd				
[illegible]				
Daiwa International Capital Management (H.K.) Ltd				
[illegible]				
Delta Fund				
[illegible]				
Delta Managed Funds Limited				
[illegible]				
Deltec Panamerica Trust Company Ltd				
[illegible]				
Dresdner RCM Global Investors (UK) Ltd				
AZEAN Growth	[illegible]			-
Japan Warrants	[illegible]			-
Little Dragons Fund	[illegible]			-
Tiger Fund	[illegible]			-
New Tiger Selections Fund				
[illegible]				
Genesis Fund Managers Ltd				
[illegible]				
Glano Capital Limited				
[illegible]				
The Glanmore Property Fund Ltd				
[illegible]				

	Selling Price	Buying Price	+ or -	Yield Gross
Dresdner RCM Global Investors - Contd.				
Thornton Taiwan Fund Equity Growth	$16.73			-
Dresdner Bank Investment Group				
[illegible]				
Global Asset Management				
Offshore Funds				
[illegible]				
Formosa Fund				
[illegible]				
Foyil Asset Management Ltd				
[illegible]				
Frank Russell Investments (Cayman) Ltd				
[illegible]				
GT Global				
[illegible]				
Gartmore Fund of Funds Ltd				
[illegible]				
Hermitage Capital Management Ltd				
[illegible]				
Highland Fund Advisors Limited				
[illegible]				
The India Special Situations Fund Ltd				
[illegible]				
India Value Investment Financing Ltd				
[illegible]				
Indosuez Asia				
[illegible]				
Insinger Asset Management				
[illegible]				
INVESCO France				
[illegible]				
The Jaguar Fund N.V.				
[illegible]				
Jardine Fleming Inv Mngt Ltd				
[illegible]				
Jardine Fleming Unit Trusts Ltd				
[illegible]				
Jupiter International Group				
[illegible]				
KD Offshore Fund, C.V.				
[illegible]				
Kenmar Investment Ltd				
[illegible]				
Key Asset Management Inc				
[illegible]				
King Street Capital Ltd				
[illegible]				
Knight Asset Management Limited				
[illegible]				
Korea Investment Trust Co Ltd				
[illegible]				
Leopold Joseph Enterprise Fund Limited				
[illegible]				
Lloyd George Management				
[illegible]				
Lloyds Fund Management Services SA				
[illegible]				
Lombard Odier Management Company SA				
[illegible]				
MFPC Overseas Limited				
[illegible]				
Magnum Funds				
[illegible]				
Merrill Lynch Asset Management - Contd.				
[illegible]				
Merrill Lynch Investment Partners				
[illegible]				
Millennium Asset Management				
[illegible]				
Moore Global Investment				
[illegible]				
Morgan Stanley Emerging Markets Income				
[illegible]				
Mortimer & Scott				
[illegible]				
New European Frontiers Fund Ltd				
[illegible]				
Nicholas-Applegate Capital Mgmt				
[illegible]				
North Star Fund Managers (Cayman) Ltd				
[illegible]				
Northern Light Funds Limited				
[illegible]				
Odey Asset Management Ltd				
[illegible]				
Old Mutual Intl Fund Managers (IoM) Ltd				
[illegible]				
Oriental Development Company Ltd				
[illegible]				
Oryx Fund Ltd				
[illegible]				
Oryx International Growth Fund Ltd				
[illegible]				
PBS International				
[illegible]				
Pacific Chartered Capital Mgmt Limited				
[illegible]				
Park Place Capital Limited				
[illegible]				
Pequot International Fund Inc				
[illegible]				
Phoenix Fund				
[illegible]				
Power Capital Limited				
[illegible]				
PricewaterhouseCoopers				
[illegible]				
Prospect Asset Management (CI) Ltd				
[illegible]				
Prosperity Capital Management Ltd				
[illegible]				
Putnam Europe Ltd				
[illegible]				
Quantum Group				
[illegible]				
Regent Fund Management Ltd				
[illegible]				
Rothschild Asset Management				
[illegible]				
Sand Grey Capital Management Inc				
[illegible]				
Schroder Investment Management Ltd				
[illegible]				
Schroder Investment Mngt (Hong Kong) Ltd				
[illegible]				
Scudder, Stevens & Clark Inc				
[illegible]				
SEASAM Capital Protected Hedge Funds Ltd				
[illegible]				
Secure Growth Fund Ltd (Bermuda)				
[illegible]				
Selective Assets Series Fund Limited				
[illegible]				
Sinclair Investment Management				
[illegible]				
Smith Barney Funds				
[illegible]				
Societe Generale Group				
[illegible]				
Sparinvest Global Technology Fund Ltd				
[illegible]				
State Street Banque SA				
[illegible]				
Stephen Brooks Partners				
[illegible]				
TIS Group Managers Ltd				
[illegible]				
Templeton Global Advisors Ltd				
[illegible]				
Thai Development Capital Fund Ltd				
[illegible]				
The Thai Prime Fund Limited				
[illegible]				
The Thailand Growth Fund				
[illegible]				
The Thailand Intl Fund Ltd				
[illegible]				
Thames River Capital				
[illegible]				
Threadneedle Investment Funds				
[illegible]				
The Torrey Funds				
[illegible]				
Tradex Funds				
[illegible]				
Trigon Capital Finance SA				
[illegible]				
UBS AG				
[illegible]				
Ultra Asia Pacific Fund				
[illegible]				
Ultra Carbonic Fund Ltd				
[illegible]				
Ultra International Plan Fund				
[illegible]				
VLS Finance				
[illegible]				
Value Partners Ltd				
[illegible]				
Vector Asset Management Inc				
[illegible]				
Victory Capital Limited				
[illegible]				
The Vietnam Frontier Fund				
[illegible]				
Virtuoso Circle Limited				
[illegible]				
Wardley Limited				
[illegible]				
Zurich Asset Management AG				
[illegible]				

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

AUTOMOBILES

BANKS

BEVERAGES

CHEMICALS

CONSTRUCTION & BUILDING MATERIALS

CONSTRUCTION & BUILDING MATERIALS - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQUIPMENT

ENGINEERING & MACHINERY

ENGINEERING & MACHINERY - Continued

FOOD & DRUG RETAILERS

FOOD PRODUCERS & PROCESSORS

FORESTRY & PAPER

GAS DISTRIBUTION

GENERAL RETAILERS

HEALTH

HOUSEHOLD GOODS & TEXTILES

HOUSEHOLD GOODS & TEXTILES - Continued

INFORMATION TECHNOLOGY HARDWARE

INSURANCE

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

MINING - Continued

[illegible]

REAL ESTATE - Continued

[illegible]

SPECIALITY & OTHER FINANCE - Continued

[illegible]

TRANSPORT - Continued

[illegible]

AIM - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yield	P/E
Victory Corpn	[illegible]	[illegible]	[illegible]	[illegible]	143	–	–	–
Virtual Internet		212½	—	341½	143	–	–	–
Voss Net		132½	+5	198½	41½	–	–	–
WML	♣	37½	—	85½	25½	–	–	35.8
Weather Action		22½	—	97½	22½	–	–	–
Weeks Group		2¾	—	4½	1½	–	4.0	11.9
West 175 Ents	♣	56½	-2	87	42	–	–	–
West Bromwich Albion		£105	—	£135	£95	–	–	–
Western Select	♣Z	8½	—	13	7¾	–	2.9	28.2
Westmount Energy	♣	33½	-1½	308	17½	–	–	–
Willington	F	56	—	85	50	–	8.7	2.2
Winchester		101½	—	112½	55½	–	–	53.1
World Telecom	♣	78½	+6½	205	55	–	–	–
XKO		153½	—	170	111½	–	–	–
Xpertise		27½	—	42½	24½	–	–	–
Yeoman		61½	—	81½	51½	–	–	–

WATER

[illegible]

AMERICANS

[illegible]

STEEL & OTHER METALS

[illegible]

LEISURE, ENTERTAINMENT & HOTELS

[illegible]

OIL & GAS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

REAL ESTATE - Continued

[illegible]

SUPPORT SERVICES

[illegible]

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yield	P/E
FTSE 100 TRAINS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official list

[illegible]

LIFE ASSURANCE

[illegible]

PACKAGING

[illegible]

RESTAURANTS, PUBS & BREWERIES

[illegible]

MEDIA & PHOTOGRAPHY

[illegible]

PERSONAL CARE & HOUSEHOLD PRODUCTS

[illegible]

SOFTWARE & COMPUTER SERVICES

[illegible]

PHARMACEUTICALS

[illegible]

TELECOMMUNICATIONS SERVICES

[illegible]

TOBACCO

[illegible]

REAL ESTATE

[illegible]

TRANSPORT

[illegible]

MINING

[illegible]

SPECIALITY & OTHER FINANCE

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are net and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

* Highs and lows marked thus have been adjusted to allow for capital changes
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
♣ Figures or report awaited

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 60p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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For Retail Price Index details call 0906 843 0005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

Takeover talk propels FTSE indices to record levels

MARKET REPORT
By Steve Thompson, UK Stock Market Editor

For much of yesterday, it looked as if the stock market party had fizzled out for the time being.

The two main market indices, the FTSE 100 and All-Share, spent most of the morning period marginally easier, while the 250 and SmallCap were only able to post modest gains.

But the market picture was transformed in the afternoon, when hints of more takeover activity – subsequently confirmed when Unigate upped its bid for Terranova – and a good rally on Wall Street brought the buyers back, albeit more tentatively than of late.

There remain strong expectations that more bids are imminent, particularly in the consumer areas and in the leisure and retail arenas, as the spate of bids in the smaller companies' stocks continued apace with no fewer than five actual bids or approaches being made.

By the end of a session described by one salesman as "disappointing in performance but not by volume", the FTSE 100 had sneaked ahead to close at another record, finishing 5.2 firmer at 6,598.8. But the index never looked likely to challenge its intraday peak – Tuesday's 6,635.9.

The same was true for the All-Share, which, although ending the day 2.63 ahead at a record close of 3,041.84, was a long way from its intraday peak of 3,055.08 also reached on Tuesday.

There was more consistency from the market's mid and small-cap stocks, which managed to cling to minor gains during the difficult morning period and construct useful rises by the close. The FTSE 250 ended a net 5.0 ahead at 5,813.7, after a session high of 5,818.7, while the SmallCap gradually progressed to close at the day's high of 2,548.3.

The market's initial reluctance to take its recent upsurge a stage further stemmed from conflicting signals from Wall Street and a sluggish Asian markets early yesterday.

On Tuesday night, Wall Street's benchmark index, the Dow Jones Industrial Average, gave another impressive display, posting another three-figure advance to a record 10,831 and looking set to launch a challenge on the next significant level, 11,000. The S&P 500 also hit a record high.

On the other hand, the Nasdaq composite, which represents many of the recent market favourites in the high-tech and internet stocks, closed almost 2 per cent lower – a decline that caught the eye of London and European dealers.

The FTSE 100 was underpinned by another powerful performance by the market's two significant oil groups, BP Amoco and Shell.

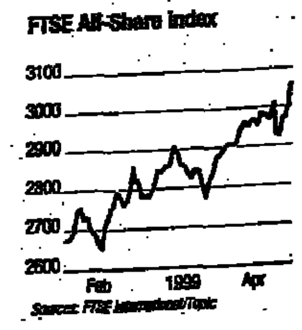
Financials moved back to the top of the buyers' lists yesterday, with Prudential and Sun Life occupying the top two positions in the FTSE 100.

Independent Insurance took the second position in the FTSE 250. It followed the revived Arcadia Group, whose trading update reassured investors.

On the downside, there was gloom among the bookmaking stocks with a Stanley Leisure profit warning taking the wind out of Ladbroke's sails.

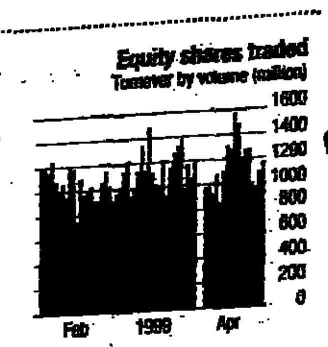
Turnover in equities was 1.2bn shares.

FTSE All-Share index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	6598.8	+5.2	FT 30	4122.6	+11.0
FTSE 250	5813.7	+5.0	FTSE Non-Fins p/e	27.83	27.79
FTSE 350	3141.5	+2.5	FTSE100 Fut Jun	6634.0	+8.0
FTSE All-Share	3041.84	+2.63	10 yr Gilt yield	4.84	4.67
FTSE All-Share yield	2.21	2.22	Long gilt/equity yld ratio	2.17	2.16

Best performing sectors

1 Steel & Other Metals +3.4
2 Tobacco +3.2
3 Life Assurance +3.2
4 Oil & Gas +2.8
5 Resources +2.6

Worst performing sectors

1 Pharmaceuticals -2.0
2 Household Goods & Texts -1.7
3 Gas Distribution -1.4
4 Media & Photography -1.4
5 Electronic & Elect Equip -1.2

Unigate rises on bid win

COMPANIES REPORT
By Joel Kibazo, Peter John and Martin Brice

Food and distribution group Unigate's battle to secure control of Terranova Foods appeared to be all but over until the former raised its offer and said one of the latter's largest shareholders would be accepting the increased offer.

"It looks like its all over for Terranova," said one sector specialist.

The new offer valuing Terranova at £274m, emerged in the last hour of the session and coincided with a market raid by parties acting for Unigate that sent turnover soaring. By the close, volume had risen to a hefty 53m, making it by far the busiest stock of the day. Arbitrage trading was also said to have made a significant contribution.

The shares hardened 9¼ to 143½p while those of Unigate improved 13 to 438½p.

Unigate said Phillips & Drew Fund Management had pledged its 13.1 per cent holding in Terranova to the food and distribution group.

"Unigate shares have gone up because it looks like the company can do this deal at a value-enhancing price."

Prudential was the best performer in the FTSE 100 after the insurance group said it would restrict applications for its Egg banking products to the internet.

Analysts said the move showed Prudential was focusing on building a strong, low-cost internet banking presence that could offset some of Egg's large start-up losses.

Prudential said Egg, the direct operation launched last October, had reached its initial five-year target of attracting savings of £5bn and 500,000 customers.

Egg would now move to phase two of its plan and reinforce its emphasis on e-commerce by switching to internet-only applications for Egg Savings Account. The shares rose 50 to 919½p.

Cautious comments over margins in the racing sector sent hotels and gaming company Ladbroke Group tumbling 18¼ or nearly 6 per cent to 293¾p.

The comments came from Stanley Leisure as part of its offer document to Capital Corporation.

In an accompanying trading update, Stanley said margins in the casino division were running at expected *levels* but *those in the* racing division remained below normal.

FT 30 INDEX

	Apr 28	Apr 27	Apr 26	Apr 23	Apr 22	Yr ago	*High	*Low
FT 30	4122.6	4111.6	4063.4	4025.4	4017.6	3752.7	4122.6	2790.8
Ord. div. yield	2.57	2.56	2.60	2.63	2.63	2.91	4.22	2.58
P/E ratio net	24.55	24.61	24.24	23.95	23.98	24.34	25.41	15.80
P/E ratio nil	24.48	24.54	24.18	23.89	23.91	24.12	25.19	15.71

FT 30 since compilation: high 4122.6 4/28/99: low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
4111.6	4113.4	4114.7	4115.4	4118.7	4117.4	4116.5	4118.9	4124.7	4107.2

STOCK MARKET TRADING DATA

	Apr 28	Apr 27	Apr 26	Apr 23	Apr 22	Yr ago
SEAQ bargains	77,913	84,981	76,381	75,170	80,832	n/a
Equity turnover (£m)†	-	4894.5	3349.8	4432.9	4920.6	n/a
Equity bargains†	-	72,352	61,480	62,801	65,432	n/a
Shares traded (m)†	-	1114.4	783.5	994.3	1098.0	n/a
Total market bargains‡	-	87,355	n/a	75,474	81,240	-
Total turnover (£m)‡	-	6811.6	n/a	6154.9	7121.2	-
Total shrs traded (m)‡	1172.8*	1484.0	n/a	1308.0	1495.8	-
Tradepoint turnover (£m)	25.5	29.2	16.9	31.0	42.1	22.0
Tradepoint shrs traded(m)	13.7	12.5	7.3	11.9	15.8	5.9

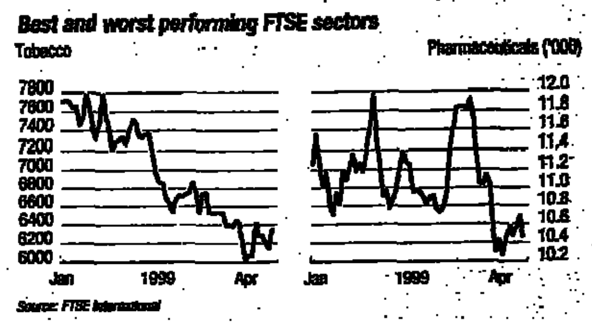
†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	807	Total Highs	89	Total contracts	36,465
Total Falls	638	Total Lows	16	Calls	19,808
Same	1,404			Puts	16,657

Apr 28 *Data based on Equity shares listed on the London Share Service.

Best and worst performing FTSE sectors



Source: FTSE International

But the company, which last month warned current year profits would be below *market expectations*, said it expected to report profits of £23m after £23.93m last time for the year to the end of May.

Stanley Leisure also came under pressure that left the shares 5¼ lighter at 348½p. Capital Corporation was unchanged at 82½p.

Scottish & Southern Energy were marked up 8 to 573p as CSFB initiated coverage of the stock with a "buy" recommendation. The broker said: "Our central case valuation analysis indicates a fair price of 682p or 21 per cent upside on the current share price. A more efficient capital structure and more aggressive cost reduction would push our valuation above 730p."

National Power rose 15 to 496¾p after the resignation of Keith Henry, chief executive, was interpreted as possibly clearing the way for a bid or break-up of the group.

Analysts said in the case of a break-up the sum of the parts would be worth more than the current share price.

Housebuilders and construction stocks continued their rehabilitation as statements from both Halifax and *Northern Rock* underlined the improvement in consumer sentiment in the housing market.

Building merchants are often sought by investors seeking broader exposure than that offered by individual housebuilders, and Caradon saw 3.2m dealt as it gained 10¼ to 157¼p.

Travis Perkins underlined the process of consolidation among builders' merchants as it said it was to pay CRH £181.5m for a subsidiary. Travis Perkins rose 15¼ to 606½p.

Happy housebuilding

Persimmon said sales were *running at 10 per cent ahead* of last year and demand was strong in all regions. It advanced 2¾ to 254½p. The positive sentiment was enjoyed by others in the housebuilding sector, with Bellway up 13½ to 401p.

Rentokil Initial was up 10¼ at 379½p but the bears have been in charge at the support services group since the beginning of the year.

The company was a favourite with investors as it achieved its self-imposed target of 20 per cent earnings *growth year after year*. But difficulties in achieving that, combined with concern over the long-term future after Sir Clive Thompson steps down, have led to underperformance in recent weeks.

The shares have risen from just over 100p four years ago to exceed 450p last year but have underperformed the Footsie by 30 per cent since mid-January.

The acquisition by TI Group of Walbro Corp of the US raised the issue of a potential transfer from the engineering sector to automobiles. The deal allows it to form an automotive systems group, which would have sales of $2bn a year. TI closed off 11 at 484p.

BP Amoco gained 36¼ to £11.60 after stronger crude prices pushed oil stocks higher on Wall Street overnight. Credit Suisse First Boston revised its oil price forecast up by $1.20 to $14.45 and, as a result, increased its earnings estimates for the integrated and exploration and production stocks.

Standard Chartered, which announced it was acquiring a controlling stake in Thailand's Nakornthon Bank, lifted 32¾ to £11.16.

BSkyB dipped 29½ to 550p as the market registered its disappointment over the resignation of chief executive Mark Booth. Lehman Brothers reiterated its "underperform" stance.

A profit warning from *Aim-traded pawnbroker* Albemarle & Bond after the market had closed came too late to affect the stock badly, which closed down 2 at 56p. It blamed an increase in the number of providers of third-party cheque-cashing services and pay day loans.

William Baird, the textiles group that recently bought Lowe Alpine, the outdoor clothing maker, said its Marks and Spencer business was suffering volume and margin pressures. The stock was off 7 at 113½p.

Retailer Kingfisher extended Tuesday's strong performance, gaining 39½ to 921½p as the market welcomed its pan-European joint venture internet service announced on Tuesday.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6620.0	6635.0	+13.0	6641.0	6601.0	22369	156776
Sep	6650.0	6685.0	+13.5	6660.0	6650.0	300	6842
Dec	6735.0	6750.0	+16.0	6735.0	6735.0	109	1150

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5825.0	5815.0	+5.0	5825.0	5825.0	4	7367

FTSE 100 INDEX OPTION (LIFFE) (*6593) £10 per full index point Apr 28

	6400 C	6400 P	6450 C	6450 P	6500 C	6500 P	6550 C	6550 P	6600 C	6600 P	6650 C	6650 P	6700 C	6700 P	6750 C	6750 P
May	272½	58	237	71	206	84½	171	101½	140	122	118	143½	86½	172	64½	202
Jun	363½	120	316	133	282½	149½	252½	169½	223	189½	197½	209½	169½	233½	146	261½
Jul	423½	158	384	174	354½	194	326½	219½	296	240	267½	260½	238	282	216½	310
Aug	479	217½	440	236½	418½	256	388½	275	358½	294½	328	314½	298	335	273	361
Dec†	665½	363½			633½	402½			576½	442			516½	482½		

Calls 3,619 Puts 1,525

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Apr 28

	6425 C	6425 P	6475 C	6475 P	6525 C	6525 P	6575 C	6575 P	6625 C	6625 P	6675 C	6675 P	6725 C	6725 P	6775 C	6775 P
May	296½	61½	218	73½	187	92	153	108	123	128	97½	152½	76½	183	58	213½
Jun	334½	126	301	142	267	158	234½	175	209	199	179	219	154½	243½	131	270
Jul	407	173	372½	188½	338½	205½	306½	224½	278½	244½	259	266	223½	289½	198½	314½
Sep	513	258½			457	294½			389	330½			328½	389		
Dec†	679	365			616	392½			547½	427			485½	468½		

Calls 5,969 Puts 6,363 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	32.1	176½	129	†Affinity Internet	176½	+34	-	-	-	-
100	F.P.	14.2	95	95	Br Smlr Cos VCT	95		-	-	-	-
-	F.P.	0.38	12½	12½	Do Warrants	12½		-	-	-	-
-	F.P.	18.6	119½	95½	Calegoram Restract	113½		-	-	-	-
-	F.P.	0.84	27	17½	Do Wts	25½		-	-	-	-
§	F.P.	26.1	110	105	Edinburgh IncGlbl	110		-	-	-	-
§	F.P.	18.5	106½	100½	Edinburgh Val ZDP	106½		-	-	-	-
-	F.P.	-	665	648	Fleming I&G Units 2006	648		22.25	-	0.3	-
§	F.P.	22.2	111½	98½	Gartmore High Inc	111	+½	17.2	-	6.5	-
-	F.P.	10.9	109½	101½	Do Zero Div Pf	109		-	-	-	-
-	F.P.	199.1	101	100½	Halifax Pf	100½		6.12	-	6.1	-
-	F.P.	18.9	100	100	Northern 2 VCT	100		-	-	-	-
§	F.P.	18.1	165	142	Sherry FitzGerald	142		-	-	-	24.2
*	F.P.	18.4	197½	55½	†Sports Internet	186½	-7	-	-	-	-
-	F.P.	16.3	100	100	Tower VCT	100		-	-	-	-
§-	F.P.	1.27	8½	6	†Voyager 2000	8½	+½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

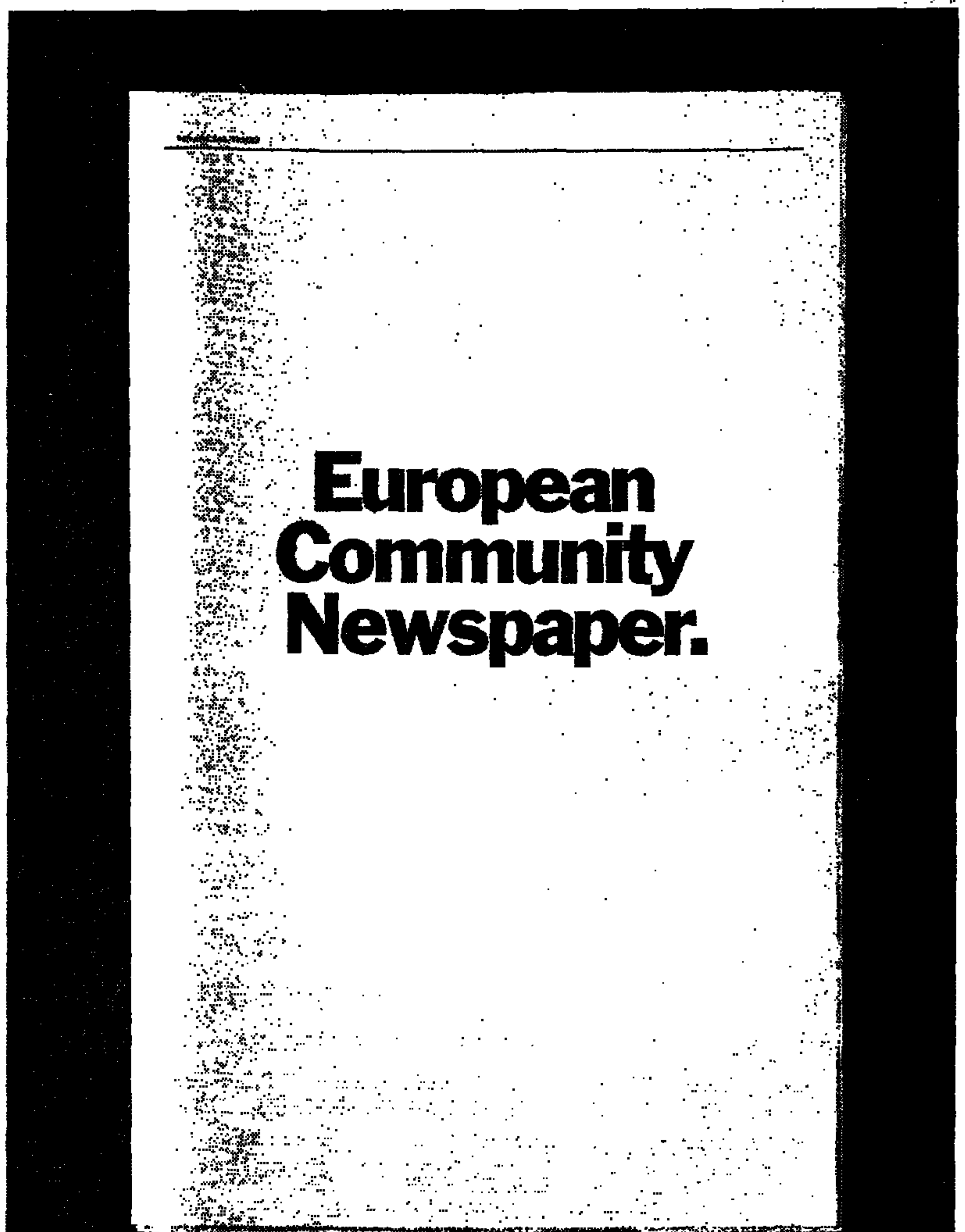
Issue price p	Amount paid up	Latest Renun. date	1999 High	1999 Low	Stock	Closing price p	+or-
12.5	Nil	4/5	5pm	1pm	Calluna	4¼pm	+1¼
R5p	Nil	14/5	2¼pm	2pm	Ennex Intl	2½pm	+¼
80	Nil	28/4	26¼pm	9¼pm	Mice	25¾pm	+¾
0.5	Nil	30/4	1½pm	½pm	Versatile	1½pm	

pm premium.

FTSE GOLD MINES INDEX

	Apr 27	% chg on day	Apr 26	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index(27)	958.90	+2.99	931.08	1285.94	1.93	969.23	1299.66	781.66
Regional indices								
Africa (9)	1040.79	-0.26	1043.51	1423.63	4.05	1063.65	1488.04	785.63
Australasia (8)	1103.83	-1.64	1122.18	1522.81	2.65	1121.12	1533.81	815.93
Americas (10)	911.49	+5.56	863.49	1219.77	0.80	915.68	1273.83	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Market closed 27/4/99: South Africa. Latest prices were unavailable for this edition.



FTSE Actuaries Share Indices — UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Apr 28	Day's chge%	Euro Index	£ Stlg Apr 27	£ Stlg Apr 26	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6598.8	+0.1	7816.5	6593.6	6503.6	5833.1	2.09	1.65	28.91	63.87	2951.83
FTSE 250	5813.7	+0.1	6886.6	5808.7	5788.6	5568.9	2.72	1.85	19.88	56.11	2555.51
FTSE 250 ex Inv Co	5872.0	+0.1	6955.6	5865.1	5848.4	5623.2	2.83	1.90	18.62	58.37	2593.40
FTSE 350	3141.5	+0.1	3721.2	3139.0	3101.1	2817.8	2.19	1.69	27.03	30.40	2872.52
FTSE 350 ex Inv Co	3149.7	+0.1	3730.9	3147.0	3108.6	2822.4	2.19	1.70	26.81	30.69	1477.38
FTSE 350 Higher Yield	3105.3	+0.5	3678.4	3091.2	3050.1	2789.8	2.85	1.57	22.26	34.58	2442.94
FTSE 350 Lower Yield	3172.7	-0.3	3758.2	3182.6	3148.1	2862.7	1.49	1.93	34.85	25.55	2342.43
FTSE SmallCap	2548.32	+0.2	3018.59	2542.37	2533.94	2633.85	2.76	1.83	19.75	22.43	2272.41
FTSE SmallCap ex Inv Co	2514.79	+0.3	2978.88	2507.03	2501.38	2632.75	2.93	1.94	17.61	23.12	2268.91
FTSE All-Share	3041.84	+0.1	3603.18	3039.21	3003.72	2750.41	2.21	1.70	26.57	29.30	2822.93
FTSE All-Share ex Inv Co	3053.76	+0.1	3617.30	3050.92	3014.87	2757.17	2.22	1.71	26.25	29.89	1458.33
FTSE Fledgling	1387.05	+0.2	1643.01	1383.71	1377.35	1412.10	2.82	1.24	28.56	11.65	1576.17
FTSE Fledgling ex Inv Co	1399.51	+0.4	1657.78	1394.57	1388.75	1431.88	3.20	1.28	24.32	13.10	1596.48
FTSE All-Small	1443.15	+0.2	1709.47	1439.76	1434.60	1486.86	2.77	1.71	21.13	12.58	1642.66
FTSE All-Small ex Inv Co	1451.66	+0.3	1719.55	1447.06	1443.23	1512.43	2.99	1.80	18.64	13.40	1654.86
FTSE AIM	946.6	+0.9	1121.3	937.8	929.3	1074.4	1.02	30.00†	0.13	3.05	970.67

FTSE Actuaries Industry Sectors

	£ Stlg Apr 28	Day's chge%	Euro Index	£ Stlg Apr 27	£ Stlg Apr 26	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
RESOURCES(17)	5320.51	+2.6	6302.36	5186.79	5074.17	4888.90	2.35	0.63	67.42	51.23	2511.05
Mining(5)	3938.08	----	4668.00	3937.32	3885.48	3402.10	3.01	1.65	18.95	71.13	1300.03
Oil & Gas(12)	6169.82	+2.8	7308.41	5999.32	5863.71	5432.27	2.28	0.46	80.00†	53.98	2990.52
BASIC INDUSTRIES(82)	2266.22	+0.5	2684.43	2255.08	2249.58	2281.16	3.54	1.76	16.15	29.64	1377.02
Chemicals(20)	2379.90	-0.3	2819.09	2386.53	2396.34	2932.79	3.85	1.20	21.57	48.77	1268.94
Construction & Bld Matls(59)	2060.61	+0.7	2440.88	2045.98	2032.63	1881.07	3.01	2.25	14.77	21.88	1163.11
Forestry & Paper(2)	6021.19	+0.1	7132.35	6016.13	5989.75	4868.90	5.12	1.74	11.22	26.99	2828.44
Steel & Other Metals(1)	2709.28	+3.4	3209.26	2619.76	2629.18	3066.23	6.96	1.13	12.77	22.19	1799.99
GENERAL INDUSTRIALS(78)	2248.29	+0.1	2663.19	2245.70	2215.96	2281.16	2.42	2.16	18.14	24.98	1362.98
Aerospace & Defence(9)	2675.41	+1.0	3169.13	2649.90	2603.05	3066.23	1.82	2.94	18.70	31.80	1784.20
Diversified Industrials(4)	1147.95	-0.1	1359.80	1149.33	1156.50	1491.29	5.06	0.81	24.48	18.83	741.64
Electronic & Elect Equip(21)	3440.69	-1.2	4075.64	3483.72	3277.33	2841.40	2.04	1.97	24.89	20.54	1942.40
Engineering & Machinery(44)	2762.72	+0.6	3272.56	2745.44	2806.52	3066.23	2.97	2.03	16.56	30.24	1841.45
CYCLICAL CONSUMER GOODS(16)	6982.64	-0.7	8271.22	7028.66	6945.44	5589.67	2.35	2.89	14.73	72.93	2826.51
Automobiles(7)	5091.61	-0.5	6031.22	5117.14	5043.89	4329.09	1.74	3.98	14.43	40.43	2862.47
Household Goods & Texts(9)	2126.41	-1.7	2518.82	2162.38	2171.38	3522.50	6.32	0.93	17.02	63.88	942.15
NON-CYCLICAL CONS GOODS(83)	5814.57	-0.9	6887.80	5867.01	5795.82	5589.87	2.13	1.57	29.96	72.85	2354.42
Beverages(9)	3803.90	-0.7	4505.87	3831.24	3732.46	3992.45	2.77	1.95	18.53	47.36	1545.07
Food Producers & Processors(23)	3405.11	+1.5	4033.50	3354.19	3291.78	3968.32	2.48	2.06	19.56	43.08	1690.82
Health(13)	2484.21	+1.1	2942.65	2456.53	2480.03	2282.71	1.94	1.50	34.42	8.69	1609.95
Packaging(10)	1983.84	-0.5	2349.94	1993.57	1978.84	2283.86	5.33	2.03	9.26	48.72	942.59
Personal Care & Hse Prods(4)	2179.58	+0.9	2581.78	2160.06	2105.86	3522.50	3.61	1.69	16.43	40.18	954.80
Pharmaceuticals(21)	10473.53	-2.0	12406.32	10683.18	10573.04	9218.94	1.63	1.29	47.84	114.97	3814.12
Tobacco(3)	6344.64	+3.2	7515.48	6146.28	6205.83	4778.85	4.72	1.31	16.11	191.28	1860.03
CYCLICAL SERVICES(226)	4064.09	-0.3	4814.06	4075.14	4035.71	3378.73	2.13	2.08	22.57	21.71	2273.79
Distributors(25)	2367.92	+1.5	2793.06	2322.34	2320.39	2916.73	3.29	1.80	16.83	17.96	955.35
General Retailers(41)	2542.13	+0.7	3011.25	2524.39	2512.37	2365.26	2.43	2.01	20.45	12.32	1581.45
Leisure, Entertmt & Hotels(30)	4076.34	-1.1	4828.59	4123.03	4109.65	3903.57	2.08	2.48	19.63	54.10	2363.97
Media & Photography(45)	5446.73	-1.4	6451.88	5522.29	5422.28	4423.69	1.68	1.97	30.21	47.16	2100.43
Rests, Pubs & Breweries(21)	4028.57	-0.6	4772.00	4053.22	4005.31	4234.24	2.52	2.18	18.19	17.00	2100.46
Support Services(35)	5219.21	+0.6	6182.37	5186.63	5111.04	4768.74	1.57	2.14	29.82	25.72	3476.31
Transport(29)	3688.48	+0.1	4369.15	3686.45	3674.42	3566.68	2.45	2.06	19.85	30.02	1679.23
NON-CYCLICAL SERVICES(22)	4125.02	-0.6	4886.26	4150.72	4098.70	3378.73	1.39	1.78	40.44	18.67	2306.11
Food & Drug Retailers(13)	2813.75	+0.4	3333.00	2803.31	2813.59	2929.38	2.65	2.16	17.48	22.52	1956.84
Telecommunications Services(9)	6393.89	-0.8	7573.75	6447.72	6344.08	3763.54	1.11	1.58	57.05	4.51	3154.09
UTILITIES(20)	3747.85	+0.3	4439.48	3736.33	3750.82	3803.28	3.59	1.68	16.62	25.72	1835.60
Electricity(7)	4186.29	+1.2	4958.83	4137.89	4179.49	4310.04	3.81	1.23	21.39	21.24	2512.98
Gas Distribution(2)	3178.17	-1.4	3764.67	3224.63	3240.76	2768.85	1.76	2.40	23.60	28.03	1869.18
Water(11)	2938.98	+0.7	3481.32	2919.23	2891.13	3375.52	5.27	2.04	9.32	24.10	1868.61
INFORMATION TECHNOLOGY(39)	1693.28	-1.3	2005.76	1715.39	1700.24	1443.31	0.44	4.58	50.03	52.93	1705.19
Information Tech Hardware(4)	1818.79	-1.2	2154.43	1841.19	1872.98	1443.31	0.14	7.23	80.00†	51.91	1830.50
Software & Computer Services(35)	1678.80	-1.3	1988.37	1700.67	1680.15	1443.31	0.47	4.48	47.07	53.05	1690.53
NON FINANCIALS(583)	3048.01	....	3608.13	3045.06	3009.65	2761.48	2.19	1.64	27.83	25.72	2536.14
FINANCIALS(238)	6141.53	+0.2	7274.90	6127.28	6054.90	5502.98	2.28	1.84	23.74	81.84	2918.78
Banks(12)	9853.65	-0.1	11672.05	9861.35	9747.11	8016.38	2.23	1.96	22.92	134.59	3549.90
Insurance(28)	2297.70	+0.4	2721.72	2287.94	2240.03	2465.24	2.84	1.92	18.33	30.88	1951.75
Life Assurance(6)	7384.85	+3.2	8747.66	7159.11	7028.71	6849.65	2.44	1.86	24.38	121.22	3388.78
Investment Companies(118)	4070.86	-0.2	4822.10	4078.11	4051.84	3878.77	1.74	1.14	50.40	25.74	1507.65
Real Estate(49)	1968.04	-0.5	2331.22	1978.19	1982.00	2370.95	2.88	1.54	22.62	12.93	1320.57
Speciality & Other Finance(31)	4525.19	-0.9	5360.27	4564.10	4528.99	4964.51	1.93	2.09	24.70	40.67	2822.07

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6595.5	6583.7	6591.9	6593.7	6595.0	6595.9	6598.7	6601.6	6613.0	6577.8
FTSE 250	5810.8	5817.9	5809.6	5811.8	5813.1	5814.6	5814.2	5815.2	5818.7	5808.9
FTSE SmallCap	2543.84	2543.96	2543.53	2543.18	2544.58	2546.37	2546.85	2547.68	2548.32	2543.07
FTSE All-Share	3040.16	3036.31	3038.69	3039.54	3040.20	3040.73	3041.77	3043.04	3047.07	3033.87

Time of FTSE 100 Day's high: 15:53:00 Day's low: 10:24:30. FTSE 100 1998/99 High: 6598.8 (28/04/99) Low: 5770.2 (10/02/99)
Time of FTSE All-Share Day's high: 15:53:00 Day's low: 10:28:00 FTSE All-Share 1998/99 High: 3041.84 (28/04/99) Low: 2354.82 (14/01/99)

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletion: Goldsmiths Grp Plc, Wyndham Motor Grp Plc (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	654	874½	-1
AMVESCAP	1,300	662½	-12
ASDA Group	27,951	208	+7½
Abbey National	2,116	1419	-30
Alliance & Leicester	3,216	926½	-3
Allied Domecq	2,468	509½	-3½
Allied Zurich	4,827	841½	+7½
Assoc. Brit. Foods	915	458½	+8½
AstraZeneca	3,695	2510	-38
BAA	2,437	685½	+5
BOC	739	1022	-34½
BG	11,639	348½	-8½
BP Amoco	19,152	1160	+36¼
BSkyB	8,455	550	-29½
BT	11,765	1077	-12
Bank of Scotland	4,486	919	-8
Barclays	3,495	2009	+65
Bass	1,673	970	-10
Billiton	4,670	198	
Boots	5,226	842	-28
Brit. Aerospace	24,688	478½	+12
British Airways	13,308	504½	+¼
Brit. Amer. Tobacco	2,405	585	+22
British Energy	3,300	545½	+23
British Land†	1,808	570	+1
CGU	1,539	978	-5
COLT Telecom	442	1169	-15
Cable & Wireless	3,484	871	-16½
Cadbury Schweppes	2,898	894	-4
Carlton Comms.	2,425	605	-23½
Centrica	11,245	125½	+1
Compass	1,688	685	-37
Daily Mail & Gen.	132	3393	+71
Diageo	4,799	716	-8½
Dixons	3,912	1302	-19
EMAP	172	1262	-8
EMI	3,935	517½	+11
Energis	930	1717	+21
Foreign & Col I T†	975	211½	
General Electric	13,820	646½	-11½
Gallaher†	2,795	357	+4½
Glaxo Wellcome	4,366	1928	-94
Granada	1,538	1391	-13
GUS	2,244	710	-6
GRE	808	282	+3¾
GKN	2,875	1077	-69
HSBC (75p shs)	2,834	2206	-12
HSBC (HK$10)	2,803	2256	-12
Halifax	2,796	868	-28
Hanson	3,749	628	+12½
Hays	1,776	893	-1
ICI	1,487	673	+8½
Imperial Tobacco	689	694	+8
Invensys	18,008	326½	+18¼
Kingfisher	15,765	921½	+39½
Ladbroke	14,546	293¾	-18¼
Land Securities	1,147	807½	-11½
Legal & General	6,366	187	+1¼
Lloyds TSB	8,434	1015	+17½
LucasVarity†	0,005	288	
Marks & Spencer	9,173	448½	-2
Misys	1,949	579½	-20½
NatWest Bank	1,653	1501	-42
National Grid	7,878	424½	-3½
National Power	18,374	496¾	+15
Next†	1,679	782	-1
Norwich Union	2,387	462¼	+8
Nycomed Amersham†	1,538	505	+8
Orange	1,767	849	+14
Pearson	2,279	1234	-17
P & O	4,479	817½	-9½
PowerGen	1,884	705	-11½
Provident Financial†	392	1040	-12
Prudential	11,506	919½	+50
Railtrack	3,207	1338	+2
Reckitt & Colman	715	746½	+7½
Reed Intl.	1,573	542½	+¾
Rentokil Initial	13,531	379½	+10¼
Reuters	3,046	845	-38
Rio Tinto	11,503	1028	+1
Rolls-Royce	2,876	281½	-2¼
Royal & Sun Alliance	4,387	527½	+1½
Royal Bank Scotland	1,743	1422	-23
Sainsbury	9,518	400½	-3¼
Schroders	222	1404	-21
Schroders N/V	15	1184	-36
Scottish & Newcastle	2,337	779½	+1½
Scot. & Sthn Energy	7,026	573	+8
Scottish Power	5,740	524½	+7
Securicor	580	588	-8
Sema Group	814	814	-7
Severn Trent	781	834	+8½
Shell Transport	34,107	454½	+8½
SmithKline Beecham	11,352	840½	-29
Smiths Inds.	724	918	-1
Sth African Breweries	1,170	495½	+8
Stagecoach	3,769	217½	-5
Standard Chartered	5,077	1116	+32¾
Sun Life & Provincial	3,254	577½	+38½
Telewest Comms.	3,102	282	-3½
Tesco	33,835	186½	-1
Thames Water	815	886½	+8½
Unilever	23,449	593	+15¼
Utd. News & Media	2,981	673	+17
United Utilities	1,152	724½	+3
Vodafone	22,116	1147	-6
WPP	5,339	558	-7¼
Whitbread	1,458	1040½	+15½
Woolwich	3,727	400½	-9½

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Financial Times Information.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 28) 1 € = 13.7603 Sch

[illegible]

BELGIUM/LUX (Apr 28) 1 € = 40.3399 Frs

[illegible]

FINLAND (Apr 28) 1 € = 5.94573 Mks

[illegible]

FRANCE (Apr 28) 1 € = 6.55957 Frs.

[illegible]

GERMANY (Apr 28) 1 € = 1.95583 Dm.

[illegible]

IRELAND (Apr 28) 1 € = 0.78756 Punt

[illegible]

ITALY (Apr 28) 1 € = 1936.27 Lire

[illegible]

NETHERLANDS (Apr 28) 1 € = 2.20371 Fl.

[illegible]

PORTUGAL (Apr 28) 1 € = 200.482 Esc.

[illegible]

SPAIN (Apr 28) 1 € = 166.386 Pts

[illegible]

EUROPE (NON-EMU)

CZECH REP (Apr 28 / Koruna)

[illegible]

DENMARK (Apr 28 / Kr)

[illegible]

GREECE (Apr 28 / Drachma)

[illegible]

NORWAY (Apr 28 / Kroner)

[illegible]

POLAND (Apr 28 / Zloty)

[illegible]

SWEDEN (Apr 28 / Kronor)

[illegible]

SWITZERLAND (Apr 28 / Frs.)

[illegible]

TURKEY (Apr 28 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Apr 28 / Yen)

[illegible]

AUSTRALIA (Apr 28 / Aust$)

[illegible]

HONG KONG (Apr 28 / H.K.$)

[illegible]

INDONESIA (Apr 28 / Rupiah)

[illegible]

MALAYSIA (Apr 28 / MYR)

[illegible]

NEW ZEALAND (Apr 28 / NZ $)

[illegible]

SINGAPORE (Apr 28 / S$)

[illegible]

SOUTH KOREA (Apr 28 / Won)

[illegible]

TAIWAN (Apr 28 / TW $)

[illegible]

THAILAND (Apr 28 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Apr 28 / Rand)

[illegible]

AMERICAS

CANADA

TORONTO (Apr 28 / Can $) 4 pm close

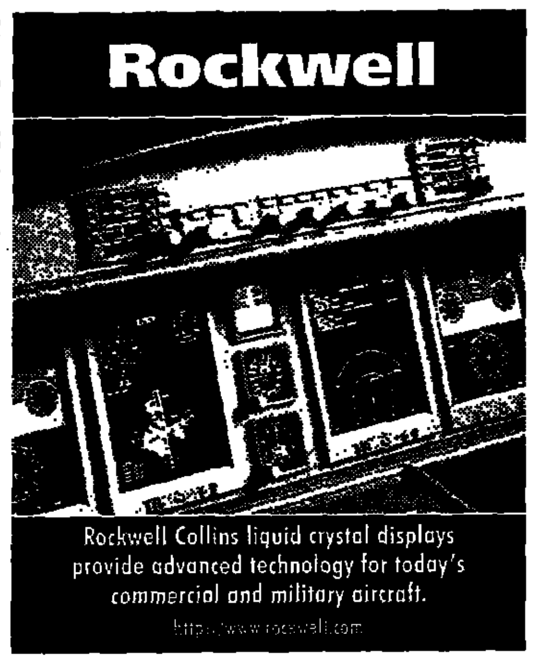
[illegible]

MONTREAL (Apr 28 / Can $) 4 pm close

[illegible]

MEXICO (Apr 28 / Pesos) 12.30pm

[illegible]



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 27 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 26 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	234.82	0.6	215.39	178.38	253.93	240.44	0.4	3.14	233.30	214.45	175.43	253.39	239.45	234.82	163.86	213.54
Austria (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.4	1.96	190.11	174.75	142.95	182.20	182.20	253.73	165.27	231.06
Belgium (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.6	2.15	254.68	326.03	266.70	332.81	332.81	446.95	319.89	319.89
Brazil (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.1	5.05	144.78	133.09	108.87	157.25	452.52	256.15	89.32	244.84
Canada (113)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.1	1.60	228.48	210.02	171.80	248.15	244.97	248.40	159.94	240.00
Denmark (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.9	1.86	415.12	381.58	312.14	450.87	395.82	537.33	406.62	488.93
Finland (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.8	1.44	678.51	623.69	510.19	798.56	798.56	719.62	338.49	413.25
France (74)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.5	1.96	322.50	296.44	242.50	312.99	312.99	354.45	253.86	291.81
Germany (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.7	1.55	263.08	241.82	197.81	252.30	252.30	325.61	226.35	275.18
Greece (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.8	1.27	370.70	340.75	278.74	402.62	817.58	454.89	211.47	–
Hong Kong, China (68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.7	2.88	387.71	356.38	291.53	421.09	385.74	394.21	196.84	322.35
Indonesia (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2	1.09	55.41	50.93	41.66	60.18	292.16	60.92	18.04	54.97
Ireland (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.0	1.82	539.67	496.06	405.79	584.87	584.87	605.85	396.15	543.02
Italy (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.1	1.52	165.01	151.68	124.08	225.07	225.07	192.64	128.68	150.30
Japan (443)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.6	0.82	117.63	108.13	88.45	127.76	88.45	118.43	76.83	95.58
Mexico (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.5	1.51	1651.61	1518.16	1241.89	1793.82	16808.22	1695.45	787.15	1625.86
Netherlands (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.8	1.97	506.75	465.81	381.04	480.74	480.74	562.73	394.92	478.38
New Zealand (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.9	3.52	69.03	63.45	51.90	74.97	68.98	73.81	45.68	73.81
Norway (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.0	1.79	257.93	237.09	193.94	280.14	273.21	357.71	181.86	343.18
Philippines (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.1	0.69	111.61	102.59	83.92	121.22	211.08	111.61	42.48	93.85
Portugal (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.0	1.80	211.33	194.25	158.90	273.52	273.52	299.39	194.13	–
Singapore (40)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.6	1.17	279.27	256.70	209.99	303.32	218.65	280.82	102.45	205.44
South Africa (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.0	3.09	236.06	216.99	177.50	256.39	313.16	339.54	151.55	338.28
Spain (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.7	1.61	365.71	337.08	275.74	435.98	435.98	435.19	290.81	361.84
Sweden (41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.1	1.91	565.80	520.08	425.44	614.52	702.83	628.19	379.18	568.96
Switzerland (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.6	1.26	385.61	354.45	289.95	418.82	361.44	441.65	307.73	377.40
Thailand (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.6	1.77	31.92	29.34	24.00	34.67	46.68	32.17	8.15	26.86
United Kingdom (201)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2	2.22	411.11	377.89	309.13	446.51	377.89	417.04	307.96	376.76
USA (606)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.1	1.19	561.31	515.96	422.06	609.84	561.31	562.09	390.12	443.81
Americas (776)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.1	1.22	499.50	459.14	375.59	542.51	423.43	500.10	347.59	402.35
Europe (718)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.6	1.88	360.84	331.50	271.17	391.69	350.73	386.24	282.63	341.08
Eurobloc (339)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.9	1.75	100.75	92.61	75.76	104.58	104.58	113.92	81.53	–
Nordic (140)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4	1.75	530.60	487.73	398.98	576.29	569.70	555.97	380.04	501.75
Pacific Basin (711)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.7	1.25	127.60	117.29	95.95	138.59	98.70	127.60	82.88	105.75
Euro-Pacific (1429)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.3	1.68	224.10	206.00	168.51	243.40	193.33	227.01	166.00	203.84
North America (719)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.1	1.20	538.84	495.30	405.17	585.24	539.48	539.56	374.92	430.95
Europe Ex. UK (517)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.8	1.69	324.90	298.65	244.30	352.88	327.21	366.32	260.93	312.81
Europe Ex. Eurobloc (379)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4	2.00	101.97	93.73	76.68	110.75	105.34	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (178)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.7	1.47	95.97	88.22	72.16	104.24	99.52	109.21	75.16	–
Pacific Ex. Japan (268)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.0	2.80	221.84	203.92	166.81	240.95	224.05	224.33	128.26	197.08
World Ex. Eurobloc (1906)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.4	1.37	118.38	106.98	87.51	126.40	115.80	116.77	83.09	–
World Ex. US (1634)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2	1.70	224.69	206.54	168.95	244.04	199.21	227.38	165.95	208.16
World Ex. UK (2038)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.8	1.33	321.98	299.36	244.87	353.70	296.49	327.39	236.11	275.38
World Ex. Japan (1792)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.6	1.50	440.57	404.97	331.28	478.51	438.18	443.90	320.58	377.73
The World Index (2235)	335.13	0.6	307.40	254.58	362.40	305.95	0.6	1.42	333.05	306.13	250.43	361.72	304.03	335.13	242.36	283.97

Emerging markets: IFC investable indices

Dollar terms

Apr 27 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	908.09	−1.1	+13.8
Brazil	295.96	−1.6	+7.6
Chile	545.31	−2.0	+20.8
Colombia[1]	453.02	+0.1	+3.1
Mexico	895.92	−0.6	+42.4
Peru[2]	158.92	+0.3	+18.3
Venezuela[3]	485.35	+0.2	+2.6
East Asia			
China[4]	30.54	+2.0	+16.7
India[7]	88.75		+4.0
Indonesia[4]	28.18	+0.3	+16.4
Korea[8]	77.90	+2.6	+47.0
Malaysia	102.20	−1.0	+15.5
Pakistan[9]	105.71		+11.8
Philippines	154.33	+0.2	+25.4
Sri Lanka[10]	65.42	+0.7	−20.6
Taiwan, China[9]	140.83	−1.1	+21.6
Thailand	75.57	+2.7	+19.6
Europe			
Czech Rep	45.65	+1.4	−10.0
Greece	715.86	+6.3	+15.6
Hungary[11]	260.34	+1.2	−7.2
Poland[12]	361.33	+0.6	+7.2
Russia	42.20	−0.5	+80.0
Slovakia	32.11	−0.0	−26.4
Turkey[14]	252.67	+0.2	+72.8
Mideast/Africa			
Egypt	69.71	−0.8	+8.1
Israel	126.59	−3.1	+23.8
Jordan	219.94	−0.7	+1.6
Morocco	151.29	−0.3	−9.7
S Africa[15]	156.22	−0.0	+24.8
Zimbabwe[16]	134.27	+0.1	+27.5
Regions			
Composite	229.21	+0.2	+22.7
Latin America	510.58	−1.1	+21.6
Asia	135.76	+0.7	+26.9
EMEA	135.90	+1.1	+18.9
Europe	175.65	+2.9	+17.3
Eastn Europe	65.34	+0.5	+12.4
ME & Africa	64.76	−0.6	+20.8
Comp + Malay	231.63	+0.1	+22.2
Asia + Malay	134.32	+0.4	+24.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (3)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 8 1992; (8)Sep 28 1992; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

FTSE

NEW YORK STOCK EXCHANGE PRICES

4 pm close April 28

[illegible]

- X - Y - Z -

1999 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
63	51	Xerox	0.80	1.3	23	24104	60	55 13/16	59 3/8	+2 11/16
77 1/4	54 1/2	XI Cap ♣ x	1.76	2.9	9	1837	60 7/16	59 1/4	60 3/16	[illegible]
47 1/2	37 1/2	Xtra Corp			10	287	41 1/4	40 13/16	41 1/16	[illegible]
29 3/8	22 1/16	Yankee Egy	1.38	5.0	25	177	28 3/8	27 1/4	27 7/8	[illegible]
42	33 5/8	York Int	0.60	1.4	12	1899	41 13/16	40 5/8	41 11/16	[illegible]
15 11/16	8 1/8	Zapata			3	411	9 1/16	8 13/16	8 15/16	[illegible]
26	20 1/16	Zenith Nat x	1.00	4.2	27	198	24	22 13/16	24	+1 1/16
6 1/16	5 11/16	Zenix Inc x	0.67	11.7		143	5 13/16	5 3/4	5 3/4	
11 13/16	10 1/16	ZweigFoll	1.20	11.1		325	10 13/16	10 13/16	10 13/16	[illegible]
8 15/16	8 1/16	Zweig Tot	0.84	10.2		528	8 5/16	8 1/4	8 1/4	[illegible]

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1999. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 27	Apr 26	Apr 23	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	10831.71	10718.59	10689.67	10831.71 (27/4)	9120.67 (22/1)	10831.71 (27/4/99)	41.22 (8/7/32)
Home Bonds	104.05	104.03	103.99	105.88 (13/1)	103.95 (1/4)	107.17 (8/12/98)	54.99 (1/10/81)
Transport	3597.46	3610.57	3589.68	3610.57 (26/4)	3063.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	305.71	302.59	301.27	311.81 (4/1)	286.44 (12/2)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 10977.48(10854.33) Low 10647.29 (10540.47) (Theoretical) Day's high 10847.74(10729.19) Low 10719.16 (10649.89) (Actual)

Standard and Poors	Apr 27	Apr 26	Apr 23	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1362.80	1360.04	1356.85	1362.80 (27/4)	1212.19 (14/1)	1362.80 (27/4/99)	4.40 (1/6/32)
Industrials♥	1631.63	1635.22	1625.01	1635.22 (26/4)	1461.72 (14/1)	1635.22 (26/4/99)	3.52 (30/6/32)
Financial♥	151.41	148.23	150.86	151.42 (22/4)	123.72 (9/2)	151.42 (22/4/99)	7.13 (4/9/74)
Others							
NYSE Comp	643.27	638.83	639.30	643.27 (27/4)	578.62 (9/2)	643.27 (27/4/99)	4.64 (25/4/42)
Amex Comp	774.07	771.60	770.36	774.07 (27/4)	683.61 (4/1)	774.07 (27/4/99)	524.20 (16/7/96)
NASDAQ Cmp	2602.21	2652.05	2590.69	2652.05 (26/4)	2208.05 (4/1)	2652.05 (26/4/99)	54.87 (3/10/74)
Russell 2000	435.16	434.97	431.73	435.16 (27/4)	383.37 (23/3)	491.41 (21/4/98)	123.36 (7/12/95)

RATIOS

	Apr 23	Apr 16	Apr 9	Year ago
Dow Jones Ind. Div. Yield	1.51	1.51	1.56	1.55
	Apr 21	Apr 14	Apr 7	Year ago
S & P Ind. Div. yield	1.08	1.06	1.07	1.29
S & P Ind. P/E ratio	41.60	41.48	41.63	31.13

US DATA

MARKET ACTIVITY [illegible]

NYSE TRADING ACTIVITY [illegible]

NASDAQ TRADING ACTIVITY [illegible]

Dow Jones

FTSE Eurotop 300

JAPAN

[illegible]

GERMANY

[illegible]

FRANCE

[illegible]

UK

[illegible]

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1375.70	1370.30	-1.20	1376.40	1367.30	82,166	373,268
Sep	1381.50	1387.00	+2.20	1388.00	1381.50	150	5,700

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	17110.0	16980.0	-10.0	17130.0	16870.0	25,461	213,171
Sep	17000.0	16910.0	-90.0	17100.0	16910.0	17	8,614

Open interest figures for previous day

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	4404.0	4368.0	-12.0	4404.0	4337.0	106,730	63,827
May	4363.0	4353.0	-11.5	4370.0	4327.0	63,629	58,775
DAX							
Jun	5354.0	5351.0	-25.5	5384.0	5325.0	38,679	331,549
Sep	5365.5	5384.5	-1.5	5409.0	5360.0	589	3,268

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	789.25	778.25	-8.75	789.50	775.75	15,074	134,457
Jun	783.75	780.50	-7.50	784.25	780.25	59	557
EOBEX							
Jun	7353.0	7339.0	-22.0	7395.0	7318.0	14,375	105,782
Sep	7409.0	7355.0	-24.0	7409.0	7342.0	502	4,021

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 28

[illegible]

AMEX

4 pm close April 28

[illegible]

STOCK MARKETS

Asia and Europe lag in Wall Street's wake

WORLD OVERVIEW

Equity markets in Asia and Europe had a distinct feel of the morning after the night before in the wake of the celebrations that followed Wall Street's overnight rise to its 17th record close since the latest foray into uncharted territory began on March 5, *writes Michael Morgan.*

Asian markets mostly consolidated some of their recent heady gains as sharp swings in the dollar-yen rate prompted profit-taking.

Part of Hong Kong's slide was down to speculation that Morgan Stanley Capital International planned to change weightings in its regional indices, a rumour denied by the US group.

It had been suggested that Taiwan was to be given increased weighting in the MSCI Far East ex-Japan index, which would had led to a decrease in Hong Kong's weighting.

The day also saw a warning from Gary Coull, chairman of CLSA Global Emerging Markets, that stock market rallies in Asia risked channelling money to undeserving groups. This would effectively endorse the bad management practices that equity markets had punished in recent years.

Mr Coull said regional markets were running ahead of economic recovery as equity inflows, estimated at between $70bn-$100bn for the past three or four months, poured in.

In Europe, equity markets were put on hold after their recent strong run. Technology stocks in particular ran out of steam, mimicking the Nasdaq's overnight pull-back from Monday's record close.

In Frankfurt, automotive stocks ran out of road. Volkswagen was a particularly sharp loser after first-quarter results came in unexpectedly weak. In an easier Paris, retail and consumer stocks saved the day, boosted by strong March consumer spending.

The outlook for merger and acquisition activity, a strong driver in European markets this year, remained under scrutiny.

A study by Dresdner Kleinwort Benson said the forces driving the recent increase in M&A ensured that the flow of deals should continue.

The analysis, which included comparisons with US industrial structure, concluded that sector performance should benefit where the restructuring was in the auto, banking, electrical, leisure and media sectors.

By contrast, there seemed less justification for deals in the oil, foods and support services sectors.

Computer-led sell-off slows US equities

AMERICAS

Stocks stayed mixed on Wall Street as renewed midday selling in computer-related shares slowed the pace of buying in the broader market, *writes John Labate in New York.*

The Dow Jones Industrial Average had gained 31.50 by early afternoon to 10,863.21, helped by a 5.7 per cent rise in Alcoa to $58⅞. In contrast, DuPont climbed $2¾ or more than 4 per cent to $72 after the company's board approved splitting off its Conoco holding.

A morning rise in oil prices helped to sent petroleum producers higher, with Chevron up $3¾ to $102⅛. Financial shares were mostly lower, with American Express off $4⅛ to $134⅞.

The broader market was more mixed, with the Standard & Poor's 500 index down 2.23 at 1,360.57. US Treasury prices pulled back after the release of a strong durable goods report. By midday the long bond was off ⅛ to 95⅛, yielding 5.580 per cent.

Shares of McKesson HBOC, the healthcare information company, nearly halved, trading at $33⅛ after the company said it would have to restate earnings and revenue figures for its fourth quarter.

Weakness in technology shares sent the Nasdaq composite down 21.49, a loss of 0.83 per cent to 2,580.92.

Much of the tech selling was centred around earnings announcements. After reporting a threefold rise in operating earnings America Online eased $5¾ to $149⅛. Similarly, internet service provider Mindspring tumbled $10⅛ or more than 8 per cent to $106¾ one day after it reported quarterly results.

Shares of Amazon.com, the online bookseller, slid 4 per cent or $8⅞ to $197⅞ ahead of the company's earnings results expected after market close.

Aetna surged 8.7 per cent or $7⅛ higher to $88¾ after reporting strong quarterly results.

Razorfish surged a further $14⅞ to $48⅛ one day after its debut. The shares flotation price was $16.

TORONTO was higher at midsession, led by rising mining and forestry shares. High-tech stocks and banks pulled back. The TSE-300 composite index was 28.81 higher at 7,092.10 in heavy volume of 76.6m shares.

Half of the market's 14 sub-indices opened higher, led by a 2 per cent rise in the gold and precious minerals group and a 1 per cent rise in base metals.

Gold rallied as Michel Camdessus, International Monetary Fund managing director, said gold sales to fund debt relief for poor countries would be orderly and prudent and avoid disrupting the market. Analysts noted that news of the IMF planning to sell some gold reserves had unsettled investors and sent the bullion price lower.

Among golds, Placer Dome put on 35 cents to C$20.20 while Teck was up 80 cents to C$12.95.

Among metals, Alcan Aluminium was C$1.30 higher at C$44.30 and nickel producer Inco put on 80 cents to C$26.15 in spite of reporting its third quarterly loss.

Bourses on hold as techs slip

EUROPE

European markets closed mostly lower, marking time after their healthy rises on Tuesday.

The sharpest loser was Helsinki, succumbing, as usual, to a bout of weakness in Nokia. Copenhagen was a notable exception, rising 1.7 per cent, helped by domestic merger and acquisition activity. Information technology stocks were weak, with the sub-index losing 2.5 per cent on the day.

The FTSE Eurobloc 100 index, which covers leading companies in the euro-zone, closed 3.68 or 0.3 per cent lower to 1,080.02. The FTSE Eurotop 100, covering countries inside and outside of monetary union slid 0.10 to 3,063.98 while the broader FTSE Eurotop 300 settled 0.67 lower to 1,337.03.

FRANKFURT edged lower, giving up 12.09 at 5,352.72 on the Xetra Dax index after a two-day gain of 177 points.

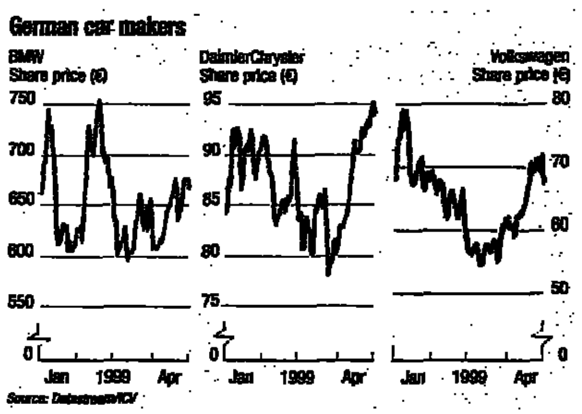
Motors were the main downside driver with Volkswagen and DaimlerChrysler coming in for heavy selling after poor results.

VW dominated trading, hurtling lower in the wake of weak first-quarter earnings. These came in at €355m, well short of the €400m most brokers had pencilled in, and prompted a round of downgrades. Goldman Sachs moved VW to market performer.

The shares ended €4.40 or 6.2 per cent lower at €67.30 in heavy volume of 4.8m shares traded. DaimlerChrysler slipped €1.45 to €94 and BMW lost €6.55 at €667.50.

Man was a casualty of the latest German machinery orders and unexciting nine-month results. Incoming machinery orders fell 11 per cent in April, which with news of slowing third-quarter sales growth, sent Man down 90 cents at €30.90.

Haircare and cosmetics leader Wella rose €30.50 to €755.50 after an upbeat trading statement sparked positive broker comment. Goldman Sachs, which has a target price of €850 for the shares, upgraded its earnings estimates for this year 14 per cent and 12 per cent for 2000.



Insurers were well bought. Munich Re gained €4.90 at €191.40.

PARIS weakened throughout the day, taking a pause after hitting a life high on Tuesday. The CAC-40 closed down but off its lows, shedding 16.22 to 4,374.70 despite a steady start on Wall Street.

Retail and consumer goods companies reacted positively to an unexpected increase in March consumer spending.

For full FTSE European indices see Euro Markets page.

Retailers stood out, with supermarket chain Carrefour adding €12 to €733 while Pinault Printemps Redoute was up €2.80 to €155.50 and Promodès rose €1.50 to €600.50.

White-goods stocks were also lifted by the figures, with Moulinex rising 66 cents or 5.9 per cent to €11.80 and Seb adding €4.50 or 6.4 per cent €74.50.

Lafarge and Peugeot tumbled after investors showed disappointment in their first-quarter sales figures. Lafarge was down €4.05 to €94.35. Peugeot fell €7.40 to €158.60.

AMSTERDAM ended 1.12 lower at 575.53 on the AEX index with steep falls for Philips offsetting strong gains at Aegon.

Aegon stayed a firm market, gaining €4.55 to €89.80 for a two-day advance of 9.2 per cent. Philips fell foul of overnight profit-taking as US technology stocks turned weaker, slipping €2.75 to €81.55.

Baan rebounded steeply after first-quarter sales figures reversed sentiment for the software producer, lifting the shares €1.10 or 13.8 per cent to €9.05.

ZURICH failed to sustain early gains and the SMI index finished 16.4 weaker at 7,360.9.

However, Roche continued to profit from the US approval for its anti-obesity drug Xenecal and the certificates edged SFr35 higher to SFr18,185. Its rival, Novartis, resumed its slide, losing SFr22 to SFr2,255.

Ares-Serono posted further gains on the back of Tuesday's strong first-quarter figures. The stock rose SFr34 to SFr2,144.

MILAN was little changed as the market awaited developments in the Telecom-Olivetti and banking mergers. The Mibtel index finished 115 lower at 24,909.

Telecom Italia gave up 0.8 per cent to €9.86 after the board rejected the Olivetti bid. The heavily traded Olivetti lost 2.6 per cent to €3.18.

BCI put on 1.7 per cent to €7.63 after Banca Intesa indicated it was interested in the Milan bank. Intesa lost 1.8 per cent to €5.22.

HELSINKI closed 2.2 per cent lower, hit by a 4.2 per cent fall in market heavyweight Nokia. Shares fell €3.10 to €71.40 as investors feared Nokia would struggle to maintain its strong first-quarter results. The Hex index followed suit, losing 149.82 to 6,793.92.

COPENHAGEN went its own way, advancing 3.47 or 1.7 per cent to 207.23 on the KFX index. One of the day's main features was Carlsberg's 4 per cent rise, up DKr12 to DKr310 on news of its acquisition of Lithuanian Svyturys brewery.

ISTANBUL shot up 3.6 per cent to a record close amid confidence that the Democratic Left party of Bulent Ecevit, prime minister, would be able to form a strong coalition government. The IMKB National 100 index closed 188.04 higher at 5,483.68 in turnover that jumped to an all time high of TL245,050bn.

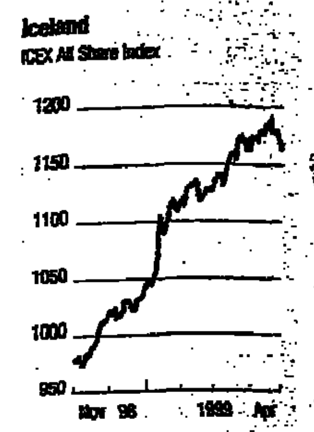
Written and edited by Jeffrey Brown, Bertrand Benoit, Paul Gregan and Nicola Wilson

MARKET FOCUS

Iceland warms to share sales

A raft of privatisations and new listings has ignited popular interest in the previously sleepy Icelandic stock market with turnover levels more than trebling in the first quarter.

By the close of trade on Tuesday the turnover this year had reached $488m after $555m in the whole of 1998, a record year for the exchange.



Although there has been a steady increase in trading levels in recent years the key event which sparked the rise of recent months was the partial privatisation and listing last November of 49 per cent of the Icelandic Investment bank (FBA).

This was followed by the listing and issuing of shares equivalent to 15 per cent of the equity in two more government owned banks – Landsbanki and Bunadarbanki.

Since its privatisation at IKr1.40 a share, FBA has risen sharply, closing yesterday at IKr2.40, whetting the appetite of investors. The bank's performance has helped spur the financial sector, which is up 15.1 per cent this year, outperforming the broad market rise of 9.4 per cent.

"Investors are looking for the potential of rationalisation and mergers in the sector," said Thorsteinn Viglundsson, head of research at Kaupthing. He believes the present three commercial banks and numerous saving banks could be cut to two main players in a couple of years.

Technology stocks have been the market's best performers, up around 53 per cent this year. "These stocks have been following the global trend with investors looking towards companies with high growth and high profits," Mr Viglundsson said.

However, the stocks only represent a small part of the index. The market's largest company is Iceland Steamship Co, which has has gained around 4.46 per cent in 1999, helped by the economic growth of around 5 per cent a year and solid results.

The flow of new companies to the market is continuing. Yesterday was the first day of trading for Baugur, the supermarket retailer. The offering of 10 per cent of the company at IKr9.95 was three times oversubscribed last week, with the stock closing at IKr10 on its first day. However traders said there was a lack of the fever that surrounded privatisations last year and led to 10 to 15 times oversubscription. This time there was a debate over pricing and what was fair value for a retail stock.

Hopes remain of a further sell-off of bank shares, perhaps later this year, and the privatisation of state-owned telecom operator Landssiminn.

The last week has seen some weakening in the market with the ICEX main index falling 1.8 per cent yesterday. Warnings by analysts that stocks could now be overvalued have dented confidence, traders said.

As yet sentiment has been unaffected by the general election on May 8 said Svanbjorn Thoroddsen, head of capital markets at FBA.

Nicholas George

São Paulo hopeful on outcome of bank probe

SAO PAULO was cautiously optimistic as investors thought a senate investigation into a currency market scandal involving the former central bank chief would not affect the country's economic recovery.

The Bovespa index was 142 or 1.3 per cent higher to 11,027 at midsession, lifted by a fresh rise in telecommunication, oil, and electricity stocks.

MEXICO CITY was little changed in early trading, with the IPC index up a meagre 3.71 to 5,386.10. Investors largely remained on the sidelines, awaiting a batch of first-quarter corporate results for direction.

BUENOS AIRES was leading gainers in the region, with the Merval index adding 6.80 or 1.4 per cent to 510.20 at midsession, boosted by robust results in telecom, steel, and oil companies earlier in the week.

Jo'burg catches up after break

SOUTH AFRICA

Johannesburg pressed higher, catching up with the performance of international markets on Tuesday when domestic markets were closed for a public holiday.

The overall index jumped 107.3 to 6,922.7, industrials put on 118.1 to 7,454.9 and golds picked up 9.1 to 960.5.

Cigarette and luxury goods group Richemont leapt 730 cents to R99.80 after CS First Boston raised its target price on the Swiss-domiciled company.

Earnings fuel Jakarta surge

ASIA PACIFIC

Lower interest rates on central bank certificates and hopes of a surge in dividends after upbeat earnings reports sent JAKARTA ahead a robust 2.6 per cent.

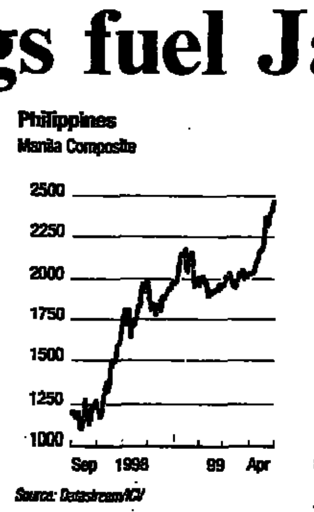
News that some high-profile companies had come closer to completing their debt-restructuring programmes also helped the composite index to close 12.14 higher to 481.34.

TOKYO ended lower after fluctuating around the 17,000 level all day, *writes Bethan Hutton.*

After an early boost from Wall Street, a strengthening yen led to some selling, while other investors saw an opportunity to take profits ahead of the Golden Week holiday. Continued rumours of a further government economic stimulus package were not strong enough to prop the market up.

The Nikkei 225 average eventually slipped 15.03 to 16,942.24, after hitting a high of 17,149.91 in relatively strong morning trading, and plunging to a low of 16,881.60 not long before the close.

The broader-based Topix index dropped 2.78 to 1,347.64, while the more representative Nikkei 300 eased 0.94 to 269.67.



Volume continued to increase, with 677m shares changing hands, versus 633m on Tuesday. Falling shares outnumbered climbers 695 to 483, with 137 unchanged.

Exporters suffered from the stronger yen, particularly in the automobile and electronics sectors. Toyota was down Y100 at Y3,470, Suzuki Y46 at Y1,738 and Honda Y120 to Y5,480

Toshiba dropped Y5 to Y821, TDK Y150 to Y9,030 and Matsushita Y70 to Y2,325. Sony climbed Y140 to Y11,700, but announced a steep fall in profits after the market closed.

Bank shares were the most heavily traded. Sakura Bank gained Y17 to Y460, Fuji Bank Y32 to Y910, and Industrial Bank of Japan Y28 to Y988. Mitsui Trust and Daiwa Bank were unchanged, and Yasuda trust fell Y4 to Y151.

In Osaka, the OSE slipped 57.94 to 18,178.23 in volume of 45m.

MANILA rose to a fresh 20-month high, although volumes fell back from the previous session's bumper levels. Foreign investment stayed positive.

The composite index, which ended 39.14 higher at 2,459.99, is now 125 per cent above its lows of last September. Manila Electric rose 4.50 pesos to 101 pesos after another day of heavy trading, with Spain's Union Fenosa Acex building up a stake in order to acquire board representation.

KUALA LUMPUR, which surged 7.8 per cent last week, suffered profit-taking for a second day, although volume fell back to almost half that of Tuesday. The composite index retreated 8.39 or 1.3 per cent to 661.63.

SINGAPORE turned negative to close 2.1 per cent lower despite reaching an intraday high in early trading. The Straits Times index closed 39.23 lower to 1,837.16 after profit-taking was sparked by falls in Hong Kong and Tokyo ahead of a holiday in Japan.

Blue-chip, property, and electronics stocks were the most heavily hit. The property sub-index fell 3.3 per cent, while high-tech stocks conceded 3.5 per cent, with Creative Technology leading the losers, down S$2 or 8.6 per cent to S$21.4.

HONG KONG closed sharply lower in volatile trade as futures-related selling and profit-taking erased early, Wall Street inspired gains.

The Hang Seng index finished 231.40 or 1.73 per cent lower at 13,133.39. The blue-chip index fluctuated in a range of nearly 600 points from 13,628.26, the highest level since October 1997, to a low of 13,035.72.

Hongkong Telecom led the retreat, shedding HK$1.55 or 7.1 per cent to HK$20.40.

Henderson Land bucked the trend, rising HK$1.10 to HK$43.60 amid rumours that Lee Shau Kee, chairman, had lifted his shareholding.

KARACHI climbed 1.9 per cent on speculative foreign buying in telecommunications shares, which was encouraged by local institutional demand for blue chips. The KSE-100 index finished 20.56 higher at 1,092.18.

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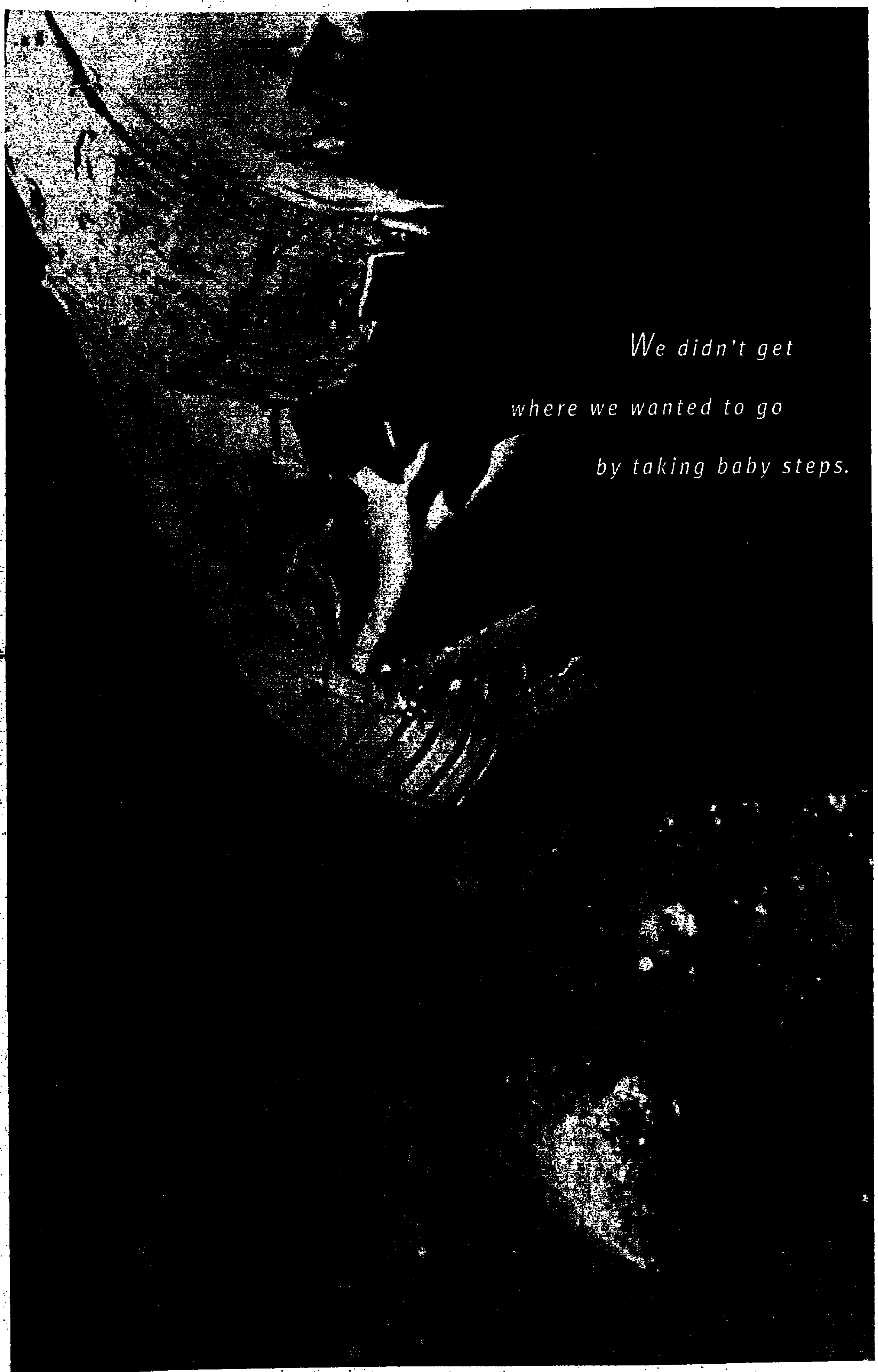
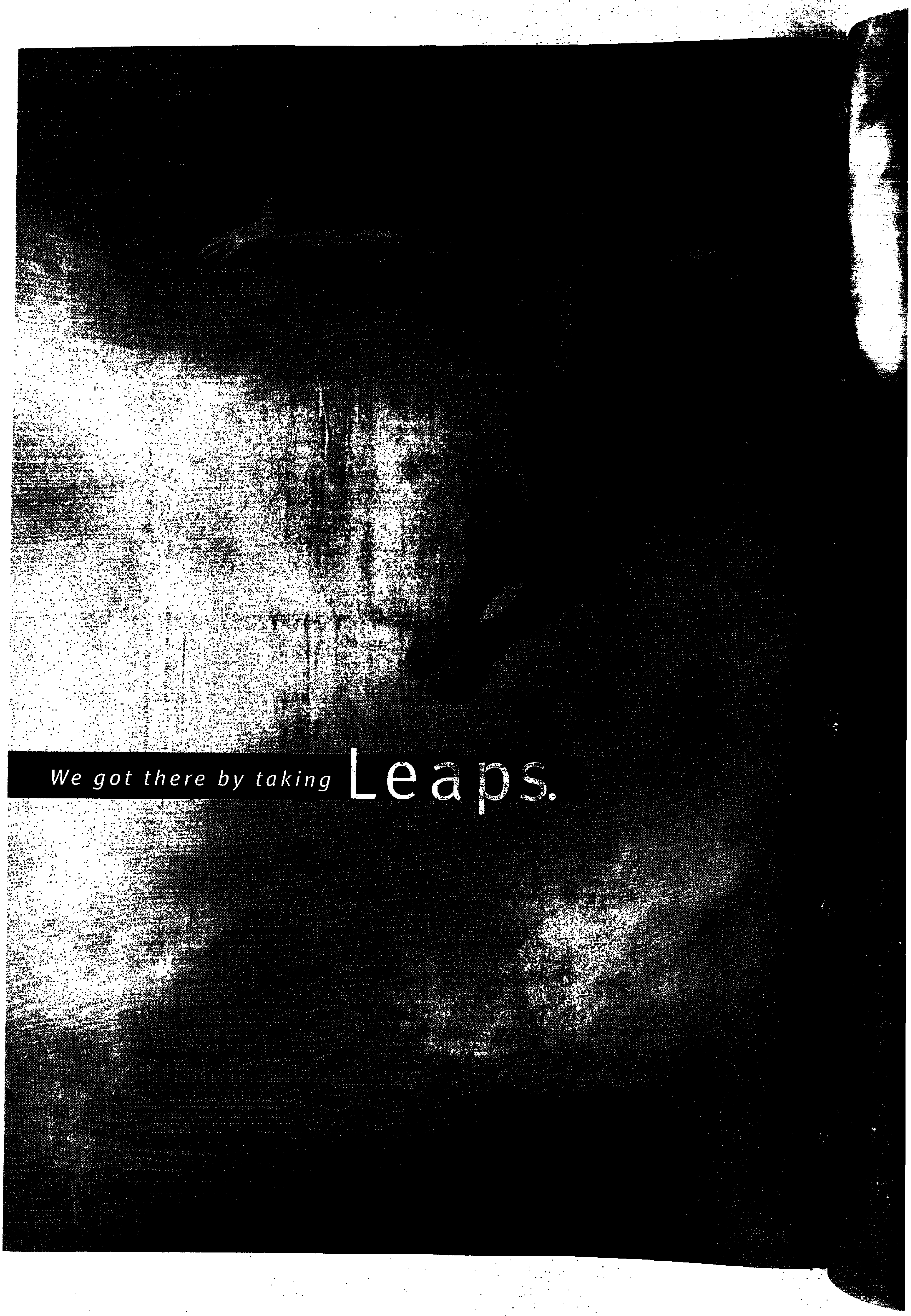
Iceland warms to share sales




We got there by taking Leaps.

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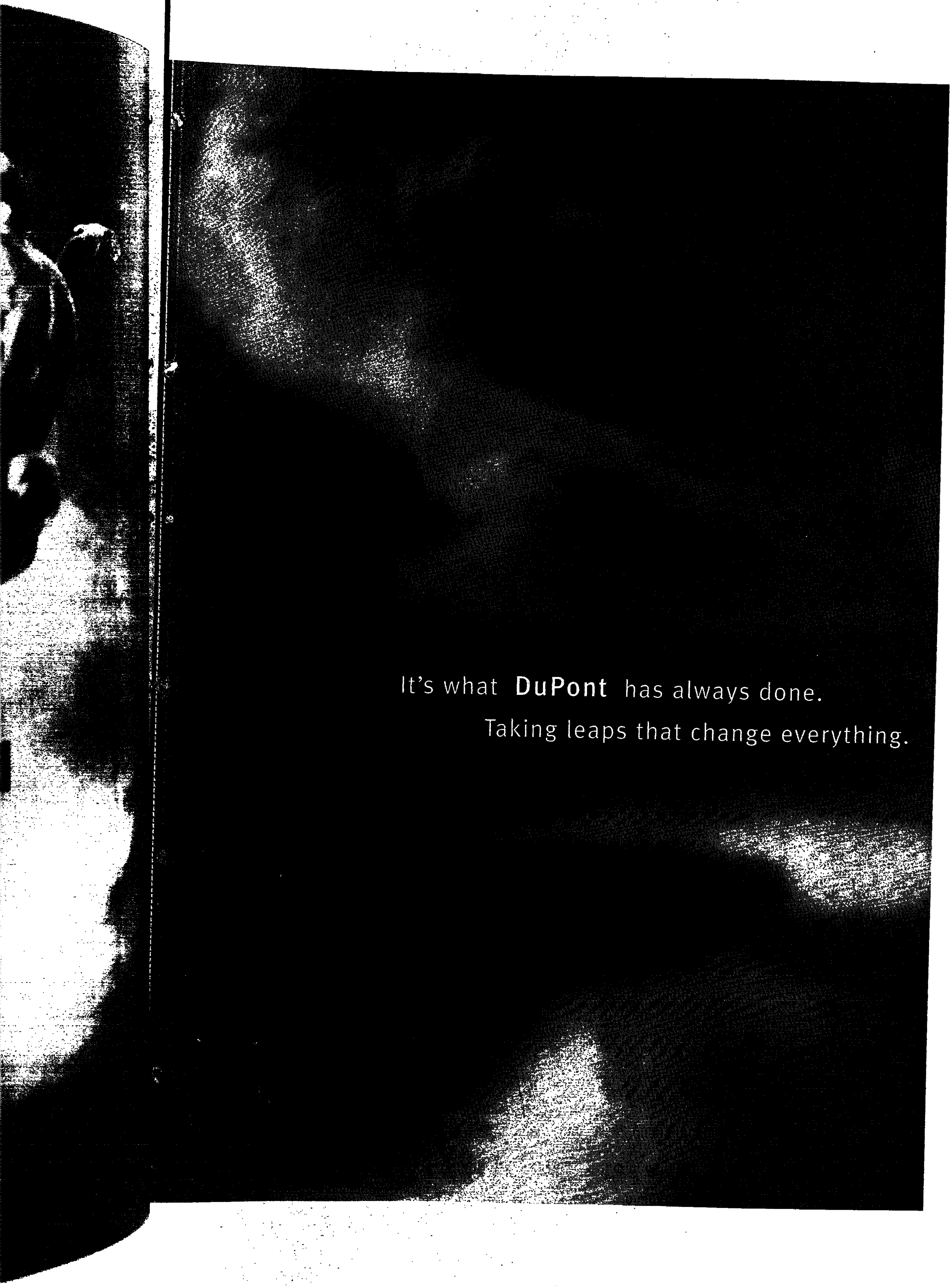

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